

**EVALUATION OF THE IMPACT OF AUDIT COMMITTEES ON
PERFORMANCE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA**

BY

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DEDICATION

Dedicated to my wife, Idayat B. Zubair and children: Tauheed, Jamiu and Salim. May Allah continue to grant them favour, guide their path and make this contribution to knowledge a source of inspiration.

CERTIFICATION

This thesis entitled: **Evaluation of the Impact of Audit Committees on Performance of Listed Money Banks in Nigeria** by Abdul Kemi Idris ZUBAIR meets the Regulations Governing the Award of Doctor of Philosophy (Ph.D.) Degree in Business Administration of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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ABSTRACT

The observable weaknesses in corporate governance of companies and the cases of accounting and audit failures have heightened concern of investors about corporate reports. This has led to the need for the establishment of Audit Committees to ensure the credibility of financial statements. This study seeks to evaluate the impact of Audit Committees (AC) on the performance of listed Deposit Money Banks (DMBs) in Nigeria. The specific objectives of the study are to evaluate the impact of components of Audit Committees (size, independence, meetings and financial expertise) on return on assets, net interest margin, Tobin's Q, financial standard compliance, and investors' confidence of Deposit Money Banks in Nigeria. The study employs qualitative and quantitative research methods using correlation and survey research designs. Panel regression and the Kendall's coefficient of concordance technique of data analysis were used for the analysis. The population of the study includes all the listed Deposit Money Banks. The secondary data was analysed using sample size of 16 through census sampling technique. The primary data was analysed using a sample size of 281 from a population of 950 members of registered shareholders' Associations using Yamane (1968) formula. The study reveals a significant positive relationship between components of audit committee (size, independence, meetings and financial expertise) and the performance of listed deposit money banks in Nigeria, and that audit committee function has significant positive impact on investors' confidence. Specifically, the findings reveal that financial performance during the period improved with the presence of Audit Committee member who is an expert in accounting and finance, which implies that an increase in the audit committee by one member increases financial performance significantly. Also an increase in the independent non-executive directors in the audit committee membership by one member enhances the financial performance significantly. The findings further suggest that an enhanced frequency of audit committee meetings drives the financial performance significantly, suggesting that the higher meeting frequency of the committee, the higher the financial performance. The study as well reveals that holding excess assets by the banks reduces profitability, and that the opinion of the Audit committees' discussions enhances the quality of managements' decision making. It is glaring that the audit committee has taken appropriate steps to ensure internal and external audit cooperate appropriately to ensure the completeness of assurance coverage and compliance with laws. The study therefore, recommends that there should be strategy towards creating enabling environment for improve the sustainability of Audit Committee for enthrone of good corporate governance practices, increase in the number of non executive independent members of the Audit Committee, increase in the frequency of meetings and that Banks should align their philosophies in such a way that Audit Committee members' education be entrenched to improve the quality of compliance decisions. The independence of audit committee must be deepened, with a true essence of regulation and the right assurance of improving investors' confidence.

TABLE OF CONTENT

Title-	-	-	-	-	-	-	-	-	-	-	-	i
Declaration-	-	-	-	-	-	-	-	-	-	-	-	ii
Certification-	-	-	-	-	-	-	-	-	-	-	-	iii
Acknowledgement-	-	-	-	-	-	-	-	-	-	-	-	iv
Abstract-	-	-	-	-	-	-	-	-	-	-	-	vi
Table Content-	-	-	-	-	-	-	-	-	-	-	-	vii

CHAPTER ONE: INTRODUCTION

1.1	Background to the Study-	-	-	-	-	-	-	-	-	-	-	1
1.2	Statement of the Problem-	-	-	-	-	-	-	-	-	-	-	4
1.3	Research Questions-	-	-	-	-	-	-	-	-	-	-	5
1.4	Objectives of the Study-	-	-	-	-	-	-	-	-	-	-	5
1.5	Research Hypotheses--	-	-	-	-	-	-	-	-	-	-	6
1.6	Scope of the Study-	-	-	-	-	-	-	-	-	-	-	7
1.7	Significance of the Study-	-	-	-	-	-	-	-	-	-	-	8
1.8	Plan of the study - -	-	-	-	-	-	-	-	-	-	-	9

CHAPTER TWO: LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1	Introduction-	-	-	-	-	-	-	-	-	-	-	11
2.2	Conceptual Framework/ Conceptualization	- -	-	-	-	-	-	-	-	-	-	11
2.2.1	Conceptualization	- - -	-	-	-	-	-	-	-	-	-	12
2.2.2	Concept of Corporate Governance	-	-	-	-	-	-	-	-	-	-	12
2.2.3	Evolution of Corporate Governance	-	-	-	-	-	-	-	-	-	-	15
2.2.4	OECD Principles of Corporate Governance	-	-	-	-	-	-	-	-	-	-	18
2.2.5	Concept of Financial Standards Compliance and Concept of Investors' Confidence-	-	-	-	-	-	-	-	-	-	-	20
2.2.6	Concept of Firm Performance-	-	-	-	-	-	-	-	-	-	-	23
2.3	Review of Empirical Studies on Audit Committee and Performance-	-	-	-	-	-	-	-	-	-	-	26

2.3.1	Audit Committee Size and performance	-	-	-	-	-	-	-	27
2.3.2	Audit Committee Independence and performance-	-	-	-	-	-	-	-	31
2.3.3	Audit Committee Financial Expertise and performance-	-	-	-	-	-	-	-	36
2.3.4	Audit Committee Meetings and performance-	-	-	-	-	-	-	-	39
2.4	Theoretical Framework	-	-	-	-	-	-	-	42
2.4.1	Agency theory-	-	-	-	-	-	-	-	43
2.4.2	Power theory-	-	-	-	-	-	-	-	45
2.4.3	Efficiency theory-	-	-	-	-	-	-	-	47
2.5	Chapter Summary-	-	-	-	-	-	-	-	51

CHAPTER THREE: METHODOLOGY

3.1	Introduction	-	-	-	-	-	-	-	52
3.2	Research Design-	-	-	-	-	-	-	-	52
3.3	Population and Sample of the Study-	-	-	-	-	-	-	-	52
3.4	Sources and Methods of Data Collection-	-	-	-	-	-	-	-	54
3.4.1	Instruments for Data Collection	-	-	-	-	-	-	-	54
3.5	Techniques of Data Analysis--	-	-	-	-	-	-	-	55
3.6	Variables Measurements and Models Specification-	-	-	-	-	-	-	-	56
3.7	Chapter Summary-	-	-	-	-	-	-	-	59

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATIONS

4.1	Introduction	-	-	-	-	-	-	-	60
4.2	Presentation and analysis of qualitative data--	-	-	-	-	-	-	-	60
4.2.1	Correlation Matrix for response variable	-	-	-	-	-	-	-	64
4.2.2	Analysis of Regression Results --	-	-	-	-	-	-	-	69
4.3	Presentation and Analysis of qualitative data -	-	-	-	-	-	-	-	79
4.4	Hypotheses Testing-	-	-	-	-	-	-	-	100

4.4.1	Audit Committee Independence and Financial Performance	-	-	-	-	-	-	-	100
4.4.2	Audit Committee Size and Financial Performance	-	-	-	-	-	-	-	101
4.4.3	Audit Committee Financial Expertise and Financial Performance-	-	-	-	-	-	-	-	103
4.4.4	Audit Committee Meetings and Financial Performance	-	-	-	-	-	-	-	104
4.4.5	Audit Committee Meetings and Financial Standard Compliance-	-	-	-	-	-	-	-	105
4.4.6	Audit Committee Meetings and Investors' Confidence-	-	-	-	-	-	-	-	106
4.5	Discussion of Major Findings-	-	-	-	-	-	-	-	107
4.6	Policy Implications of the Findings-	-	-	-	-	-	-	-	109

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1	Summary-	-	-	-	-	-	-	-	-	111
5.2	Conclusions	-	-	-	-	-	-	-	-	113
5.3	Recommendations	-	-	-	-	-	-	-	-	114
5.4	Limitations of study	-	-	-	-	-	-	-	-	115
5.5	Suggestions for Further Research	-	-	-	-	-	-	-	-	115
5.6	Contributions to Knowledge	-	-	-	-	-	-	-	-	115
	References-	-	-	-	-	-	-	-	-	117
	Appendices-	-	-	-	-	-	-	-	-	128

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The past few years have seen several well-known companies with significant international operations become mired in financial scandals. In some of these cases, investors have lost hundreds of millions or even billions of dollars. A number of the companies involved have been forced into bankruptcy as a direct or indirect result of the scandals, International Organization of Securities Commissions (IOSCO, 2005). Collectively, these financial scandals caused many to be concerned about investors' confidence in the integrity of companies. As means of reducing the weaknesses in corporate governance, several mechanisms have been introduced among which is the adoption of Audit Committee (AC).

Audit Committee as a concept has now acquired mass coalesce as a mandatory element of corporate governance code (Tricker, 1978). Instances of accounting and audit failures and heightened concern of investors about the corporate reports of companies in the developed world led to the establishment of Treadway Commission (1987) in US, Cadbury Committee (1992) in United Kingdom and McDonald Commission (1987) in Canada (Spira, 2003). The aforementioned committees emphasized on the need for the establishment of audit committee as a board sub-committee comprising of independent directors to ensure the credibility of financial statements. Audit committee was promoted on voluntary basis as part of corporate governance reforms (Turley and Zaman, 2004), and gained significant acquaintance with the formation of specialized committees like Blue Ribbon committee (BRC) in 1999.

A number of corporate scandals and failures have raised serious questions on the corporate governance practices of organizations and currently drawing attention of the

business world particularly, governments, regulators and investors. Examples of Corporate failures include those of Polly Peck, Maxwell, Bank recession in Europe. Other scandals and failure include Enron and WorldCom in the United States of America (USA), Marconi, United Kingdom (UK), and Royal, Ahold in the Netherland, the Lehman Brothers, Barings Bank, Merrill Lynch, All States Trust Bank, and the Afribank Nigeria Plc, Cadbury Plc and the Bank credit scam in Nigeria, leading to the sacking of five bank Chief Executives. Some of these scandals could be traced directly to poor corporate governance. In Nigeria, the scandals were traced to poor corporate governance and faulty accounting and risk management practices as demonstrated by joint audit by Securities and Exchange Commission (SEC) and the Central Bank of Nigeria (CBN) in 2010, SEC (2010). Globally, corporate governance (CORPORATE GOVERNANCE) is believed to be a means of improving economic efficiency in a country and that its rules have economically significant impact on a firm's value. Academic literature also suggest that audit committee effectiveness has significant positive impact in minimizing agency conflicts, protecting stakeholders' interests and thus in maximizing firm's overall value.

This critical role of Audit Committee (AC) is believed to be a means of improving economic efficiency and stakeholders' confidence in the banks through financial standard compliance. However, to achieve this, audit committee should possess some certain attributes which include independence of the committee, frequency of meetings, the size of the committee and financial knowledge of the committee members (SEC, 2003; Mohiuddin&Karbhari, 2010). These attributes of the audit committee are significant in addressing the short comings and weaknesses associated with the internal control system of the banks and the errors and limitations associated with external audit function. This is because internal control and internal audit are less independent of the

management, while external auditors' function is limited to the information available to them which is highly influenced by management. However, audit committees are independent of the management and have sufficient authority over the operations, transactions, documents and all the relevant records to perform their duties. Audit committee functions with these attributes are expected to ascertain a true and fair view of the financial performance and position of banks and also enhance the confidence of the investors and other stakeholders.

Corporate failures have devastating effects on an organization and could result to its death, loss of confidence and reputational damage (Onipakodi, 2010). Governance of companies must therefore be concerned with more than the existing mechanisms because recent failures, fraud, scandals and sharp marketing practices had adversely affected investors' confidence with implications on the financial system because there could be a link between the corporations and the Deposit Money Banks as a financing source . Relative development of and reliance of economic activities on the financial system have been offered as important explanations for the inter relationship between macro-economic stability and the soundness of the financial system (Adedipe, 2006). Given that the Deposit Money Banks play a critical role in the financial market, the degree of effectiveness, financial standard compliance and efficiency of the market will determine the extent to which it contribute to the process of growth and development. Like many other jurisdictions, research attention on audit committee in Nigeria, focused on its attributes with less attention to its impact on Deposit Money Banks performance. The financial system is based on trust and public confidence and as such, it is important to assess the influence of components of audit committee (size, independence, meetings and financial expertise) on financial standard compliance, investors' confidence and

performance of listed Deposit Money Banks in Nigeria which is the paradigm of this study.

1.2 Statement of the Problem

The bank credit scam in Nigeria despite the introduction of audit committees brought to the fore the inherent weakness of audit committees and the motivation for a clearer understanding of audit committee's efficacy. The scam also provided at least evidence to support concerns about the adequacies of monitoring provided by audit committees and provided the concerns that have been expressed on whether audit committees are functioning to maximize shareholders' value or increase corporate performance. Furthermore, banks default and distress have hampered their performance significantly and diminished investors' confidence in the banks, thereby casting doubt as to the efficacy of the audit committee functions.

There are divergent views on the relationship between Audit Committees and performance. Some of the arguments support the link between Corporate Governance and performance while others see no link between Corporate Governance and performance. There is a skew in approach and method on study relating to Audit Committees and the studies are mostly concentrated on studies conducted in advanced countries with more matured financial systems compared to the developing countries like Nigeria. Even though there are some studies related to developing countries, little or no evidence exist to the best of the researcher's knowledge on the extent of the relationship of Audit Committees as a corporate governance framework and corporate performance. The research results on Audit Committees produced a mixed grill and inconclusive

findings thereby providing a ground to evaluate the link between audit committee and Deposit Money Banks performance in Nigeria

1.3 Research Questions

Therefore based on the above discussions the following research questions were answered in this study.

- i. To what extent do components of audit committee (size, independence, meetings and financial expertise) impact return on assets of listed Deposit Money Banks in Nigeria?
- ii. How do components of audit committee (size, independence, meetings and financial expertise) impact on net Interest Margin of listed Deposit Money Banks in Nigeria?
- iii. What is the impact of components of audit committee (size, independence, meetings and financial expertise) on the Tobin's Q of listed Deposit Money Banks in Nigeria?
- iv. How do components of audit committee (size, independence, meetings and financial expertise) impact on financial standard compliance of listed deposit money banks in Nigeria?
- v. To what extent do components of audit committee (size, independence, meetings and financial expertise) have impact on investors' confidence of Deposit Money Banks in Nigeria?

1.4 Objectives of the Study

The main objective of the study is to evaluate the impact of audit committees on the performance of listed Deposit Money Banks in Nigeria. The specific objectives of the study are to:

- i. Evaluate the impact of components of audit committee (size, independence, meetings and financial expertise) on return on assets of listed Deposit Money Banks in Nigeria
- ii. Evaluate the impact of components of audit committee (size, independence, meetings and financial expertise) on net Interest Margin of listed Deposit Money Banks in Nigeria
- iii. Evaluate the impact of components of audit committee (size, independence, meetings and financial expertise) on the Tobin's Q of listed Deposit Money Banks in Nigeria
- iv. Evaluate the impact of components of audit committee (size, independence, meetings and financial expertise) on financial standard compliance of listed deposit money banks in Nigeria
- v. Evaluate the impact of components of audit committee (size, independence, meetings and financial expertise) on investors' confidence of Deposit Money Banks in Nigeria

1.5 Research Hypotheses

Based with the research problem and objectives, the following research hypotheses were formulated;

H₀₁: Components of audit committee (size, independence, meetings and financial expertise) do not have any significant influence on return on assets of listed Deposit Money Banks in Nigeria.

H₀₂: Components of audit committee (size, independence, meetings and financial expertise) do not have any significant influence on net Interest Margin of listed Deposit Money Banks in Nigeria

H₀₃: Components of audit committee (size, independence, meetings and financial expertise) do not have any significant impact on the Tobin's Q of listed Deposit Money Banks in Nigeria

H₀₄: Components of audit committee (size, independence, meetings and financial expertise) do not have any significant influence on financial standard compliance of listed deposit money banks in Nigeria

H_{05s}: Components of audit committee (size, independence, meetings and financial expertise) do not have any significant influence on investors' confidence of Deposit Money Banks in Nigeria

1.6 Scope of the Study

This study evaluates the impact of audit committee on the performance of Deposit Money Banks in Nigeria. However, the study is limited to all deposit money banks listed on the floor of Nigerian Stock Exchange (NSE) Market as at 31st December, 2013. The study therefore, covers a period of seven years (7) years (2007-2013). The choice of this period is informed by the fact that it is the period immediately after the banking sector consolidation and reforms, that is, when the banking sector witnessed intensive regulations and strict supervision including the review of code of best practices on corporate governance. It is also the period that many banks experienced performance crises, thus, a logical point to assess

how the role of audit committee relate with the performance, compliances and investors' confidence.

Audit committee in the context of this study was examined through its four basic attributes (size, independence, financial expertise/experience, audit committees' function and frequency of meetings). This is to have specific basis for policy and decisions recommendations from the findings. The concept of performance in this study covers both financial and non-financial performance. The financial performance covers Return on Assets (ROA), Net Interest Margin (NIM), and the Tobin's Q; while the non-financial performance covers the financial standards compliance and Investors' confidence.

1.7 Significance of the Study

The critical role banks play in money creation in the economy makes the study of their performance a necessity. This study attempts to provide empirical evidence about the impact of one of the major corporate governance mechanism of banks (audit committee) on performance, financial standard compliances and investors' confidence of Deposit Money Banks thereby generating interesting literature to the regulators of the financial market, other self-regulatory organizations (SROs), Accounting Bodies, Corporate Affairs Commission (CAC), policy makers and the investing public. If an audit committee discharges its statutory duties diligently, bank performance could be enhanced and the probability of default would be less or even zero, implying that the banking public deposits are safe. Moreover, customers' deposits determine the extent of banks profitability and the sustainability of the banks. Hence, banking failures usually leave the banking public in the crises of the recovery of their deposits, inaccessibility to credit, and loss of confidence in the system. Therefore, the findings of this study contribute to the banking public, in that, the study examines how audit committee impacts on the performance of the banks and the financial standards compliances

in Nigeria. Thus, it reveals the ability of the audit committee to monitor and control the management in the routine operations with regard compliance with the rules and standards in achieving the banks objectives, which in turn implies the safety of the banking public and influence their confidence in the banks. Management of the banks could also find this study useful as it investigates the outcome of their stewardship (performance) in relation to the audit committee functions, which points to them some possible areas of additional efforts. Also, regulators such as the Cooperate Affairs Commission (CAC), Securities and Exchange Commission (SEC) and Central Bank of Nigeria (CBN) could also find this study useful as the study analyzes the consequences of their series of intervention in the banks through the mechanisms of corporate governance. Thus, the results of this study provide empirical evidence on the effectiveness or otherwise of the audit committee and its attributes with regard to performance, compliances and confidence of the investors.

Shareholders as owners, who are usually concerned with maximization of their wealth, could also find this study useful because audit committee function will decrease agency cost, improve corporate governance, affect performance and improve shareholders' value. Researchers and students would also find this study useful because they are usually interested in understanding how the mechanisms of corporate governance affect corporate operations, activities and performance. The study therefore provides the academic audience a further opportunity to stimulate and trigger thoughts on further research and by extension increase the frontiers of knowledge.

1.8 Plan of the Study

The study is organized into five chapters. Chapter one introduces the study by discussing the background to the study, statement of the problem, research questions, objectives of the study, hypothesis, scope significance and plan of the study. Chapter two reviews literature

and theoretical framework relevant to the study particularly, the concept of financial standards compliance, concept of investors' confidence, concept of firm performance, audit committee attributes and functions and the empirical studies on audit committee and performance. It also discusses the theories of corporate governance with regard to audit committee functions. The essence is to provide insight to the mechanism and framework, see the interaction, thereby providing the underpinning of the current research work. Chapter three, spells out the details in the methods used in conducting the study. It contains research methodology, questionnaire format, population, sample and sampling technique, data collection technique and data analysis tool. Chapter four contains data presentation, data analysis, results and discussions. Chapter five summarizes the entire work, findings, conclusion and limitation of study. The chapter also provides some recommendations and suggestions for further study.

CHAPTER TWO LITERATURE REVIEW

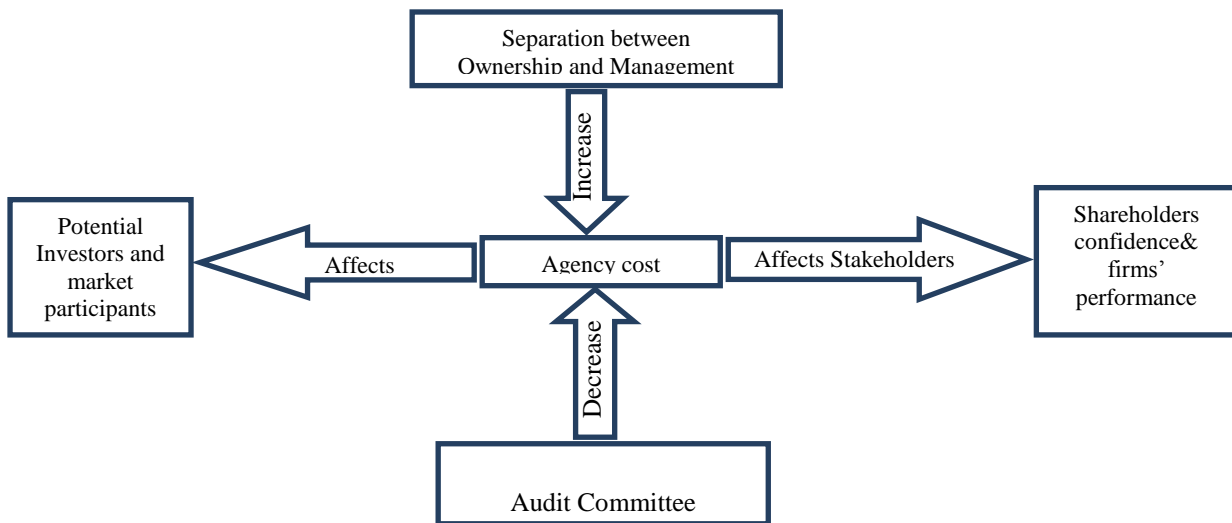
2.1 Introduction

This section reviews and presents relevant and related literature on audit committee characteristics and firm performance, empirical studies on audit committee and performance. It also discusses the theories of corporate governance with regard to audit committee functions.

2.2 Conceptual Framework / Conceptualization

The separation of management from ownership in the modern corporation provides an ideal context for the operation of agency theory. The central idea of this theory is that there exists a conflict of interest between owner and management. Eisenhardt (1989) discussed two main causes of agency problems, namely; conflict of interest and different attitude towards risk between owner and management. Berle and Means (1932), argued that when shareholders are not able to monitor management properly, the company assets might be used for the welfare of management instead for maximizing shareholders' wealth and industry performance. This study adopts the model for the understanding of Audit Committee operation and agency theory as provided in chart 2.2.1 and forms the framework on which the current study is based.

2.2.1 CONCEPTUALIZATION



Source (Onipakodi 2010)

The chart in 2.2.1 shows that Audit committee provides an ideal context for the operation of agency theory. AC decreases agency cost, affect corporate governance and stakeholders' value thereby increasing confidence, market participation and firm's performance.

2.2.2 Concept of Corporate Governance

The concept of corporate governance is defined and understood differently in different parts of the world, depending on the relative power of owners, managers and providers of capital. For instance, Maher and Anderson (1999) and Craig (2005), see corporate governance from two angles: the shareholders and the stakeholder perspectives. From the shareholders perspective, corporate governance is used to describe the relation between the owners (shareholders) and their agents (managements); while from the stakeholders' perspective, the term refers to the network of relationships between an organization and its various stakeholders. This distinction according to Hamid (2008) is not needed because the two perspectives identified corporate governance as a network of relationship between a company

and its public through which the board is held accountable. According to King (2006), the term corporate governance connotes the manner of directing and controlling the actions and affairs of an economic entity. Corporate governance is defined by OECD (1999) as a set of relationship between company directors, its shareholders and other stakeholders; it also provides the structure through which the company's objectives are set and the means of attaining those objectives and monitoring performance. The OECD definition illustrates the principle of corporate governance and demonstrates that it is concerned with both the internal aspects of the company, such as internal control, and the external aspects, such as an organization's relationship with its shareholders and other stakeholders. Ferrell (1998) defined corporate governance as the process of direction of a company, the relationship between the Board of Directors and Management. It is also ultimately about regimes of accountability. Ferrell's position raises the issue of relationship between the board of directors and management and also the issue of accountability.

According to Shleifer, and Vishny (1997), corporate governance is the structure and process among the board of directors, shareholders, top management and other stakeholders, and involves the roles of the stewardship process and exercising strategic leadership, and the objective of assuring accountability and improving performance. In his definition, Daily (2003), asserts that corporate governance is the determination of the broad uses to which organizational resources will be deployed and the resolution of conflicts among the myriad participants in the organization. In a similar effort, Onipakodi (2008), viewed corporate governance as the way management of a firm is influenced by many stakeholders, including owners, creditors and other stakeholders. Corporate Governance according to Sanda, Mikailu and Garba, (2010) is concerned with ways in which all parties interested in the well being of a firm (or stakeholders) attempt to ensure that managers and other insiders take measures (or

adopt mechanisms) that safeguard the interests of the stakeholders. They add that, one of the major mechanisms of ensuring this is the board of directors, which they refer to as the apex decision making body that monitors and controls corporate entities. In the words of SEC (2003) and CBN (2006), Corporate Governance is a system by which corporations are governed and controlled with a view to increasing shareholder value and meeting the expectation of the other stakeholders. The code further emphasizes that, the need for the practice of good corporate governance by corporation particularly financial institutions (banks), is the retention of public confidence through the enthronement of good corporate governance considering the utmost importance given to the banking industry. According to the Code, the primary responsibility for ensuring good corporate governance in banks lies with the board of directors and, the principal objective of the board is to ensure that, banks are properly managed and management performance is effectively overseen to protect and enhance the interest of all the banks stakeholders.

Daily (2003), defined corporate governance as the determination of the broad uses to which organizational resources will be deployed and the resolution of conflicts among the myriad of participants in the organization. This definition stands in contrast to other definitions which focused primarily on control of direction by management, by providing insights into manager-shareholder conflicts. The various definitions though not exhaustive, illustrate the principle of corporate governance and demonstrate that it is concerned with both the internal aspects of the company, such as internal controls, management and external aspects, such as an organizational relationship with its shareholders and other stakeholders. Based on the foregone review of literature, corporate governance is defined for the purpose of this study, as managing organization ethically for fairness, transparency, accountability, responsibility and for stakeholders' interest.

2.2.3 Evolution of Corporate Governance

Audit Committee (AC) as corporate governance frame work was first mooted on a global basis in 1939 while the celebrated case of McKesson and Robbins was under investigation. It was however not until 1967 that the American Institute of Certified Public Accountants (AICPA) supported the idea. Canada, through the Business Corporation Act of 1973 introduced a statutory provision requiring every public company registered under the Act to have an audit committee. Many countries including the United Kingdom and Nigeria (though much recently) followed suit, Akintoye (2006). In Nigeria the companies and Allied Matters Act (1990),Section 359 (3 & 4) provides for the creation of audit committees.

According to Borgia (2005), the first well-documented failure of governance was the South Sea bubble in the 1700s, which revolutionized business law and practices in England. Similarly, much of the securities laws in the US were put in place following the stock market crash of 1929. There was a secondary banking crisis of the 1970s in the UK and US savings and loan debacle of 1980s that were documented in the evolution of corporate governance practices. In addition to crises, the history of corporate governance also has been punctuated by a series of well-known corporation failures: the Maxwell Group raid on pension fund of the Mirror Group newspapers, the collapse of Bank of Credit and Commerce International and Barings Bank (Borgia, 2005). According to him, most recently, the financial crisis that began in East Asia, and rapidly spread to Russia, Brazil and other areas of the globe, showed that systematic failure of investor protection mechanisms, combined with weak capital market regulation, led to failures of confidence that spread from individual firms to entire countries.

Another landmark in the evolution of corporate governance is the provision for sufficient financial disclosure and capital market regulation, protection of minority shareholder protection, and shareholder accountability (Borgi, 2005). Absence of this provision resulted in corporations over investment in non-productive and often speculative activities, as evidenced by the Enron and Parmalat cases. Each crisis or major corporate failure, often as a result of incompetence, fraud, and abuse, has given rise to new elements for an improved system of corporate governance. Through a process of continuous change, developed countries have established a complex mosaic of laws, regulations, institutions, and implementation capacity in the government and in private sector. The objective was not to shackle corporations but rather to balance the spirit of enterprise with an improved liability (Borgi, 2005). This continuous process of change and adaptation have resulted in the increasing diversity and complexity of shareholders and stakeholders.

Globalization is often mentioned in the evolution of corporate governance because many corporations tap into international financial markets and face greater competition which requires strong governance. During the past decades, freedom in all aspects of business activities has increased markedly, creating more breathing space for entrepreneurs. Cross-borders business relationships have increased dramatically. New communication, distribution technologies and the removal of trade and investment barriers, have created truly global markets with global competition for goods, services and capital, and even corporate control.

A whole new level of economic interdependence is emerging, as evidenced by the European Union (EU) and the North American Free Trade Agreement (NAFTA). Deeper and broader cross-border business relationships between nations signal significant changes to all aspects of society, from culture to labour markets and political focus (Flannery, 1996) but increased

freedom means increased responsibility: corporations must show respect for their shareholders as well as for other stakeholders and indeed the society as a whole. It is now the business community needs to show that their corporations are ready to shoulder this increased responsibilities. Corporations realize that by building better relations with shareholders, employees, customers, suppliers and the general public, many new avenues of business opportunities will open (La Porta, Lopez & Shleifer, 1999). Moreover, mutual trust between the public and the business community is a key to improved competitiveness and thus to higher living standards. An important step to ensure that the business community is trustworthy is to improve practices in relations between shareholders, boards of directors and managing directors. During the past few years, more than 30 countries, international organizations including OECD and business associations have brought forward recommendations for good or appropriate corporate governance, so the debate on these matters has been quite extensive. These recommendations were based on the lack of business ethics, shady accountancy practices and weak regulations.

In Nigeria, the SEC in collaboration with the Corporate Affairs Commission inaugurated a seventeen (17) member Committee on June 15, 2000 in Nigeria, in realizing the need to align with the International Best Practices. The Committee headed by Mr. Atedo Peterside was mandated to identify weaknesses in the corporate governance practice in Nigeria and fashion out necessary changes that will improve the corporate governance practices (SEC, 2003). The Committee's terms of reference include; identifying weaknesses in the corporate governance practices in Nigeria with respect to public companies; examining practices in other jurisdictions with a view to the adoption of international best practices in corporate governance in Nigeria; making recommendations on necessary changes to current practices; and examining any other issue relating to corporate governance in Nigeria. Consequently, a

Nigerian Code of Best Practices for Public Companies and Private companies with multiple stakeholders was established in 2003. Moreover, in 2008, SEC revealed that weak corporate governance is still responsible for some recent corporate failures in Nigeria, and in order to improve corporate governance, the SEC, in September 2008, inaugurated a National Committee chaired by Mr. M. B. Mahmoud for the Review of the 2003 Code of Corporate Governance for Public Companies in Nigeria to address its weaknesses and to improve the mechanism for its enforceability. According to SEC, corporate governance is effective to corporate economic performance in today's global market place. As such, companies adopting international best corporate governance practices are more likely to attract international investors than those whose practices are perceived to be below international standards (SEC, 2003).

The committee set up in 2008 came up with a reviewed code of corporate governance for public companies in Nigeria effective 2011. However, in view of the uniqueness of banking business which is highly financial, banks in Nigeria are required by law to comply with CBN code of CORPORATE GOVERNANCE for banks post consolidation in addition to SEC code of CORPORATE GOVERNANCE. The consolidation of the banking industry among other factors necessitated a separate code for the Nigerian Banks. This new code therefore was developed to compliment the earlier ones and enhance their effectiveness for the Nigerian banking industry.

2.2.4 OECD Principles of Corporate Governance

Pursuant to Article 1 of the Convention signed in Paris on 14th December 1960, and which came into force on 30th September 1961, the Organisation for Economic Co-operation and Development (OECD) shall promote policies designed:

1. To achieve the highest sustainable economic growth and employment and a rising standard of living in member countries, while maintaining financial stability, and thus, to contribute to the development of the world economy;
2. To contribute to sound economic expansion in member as well as non-member countries in the process of economic development; and
3. To contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

In view of its statutory objectives, OECD Principles of Corporate Governance were developed in response to a call by the OECD Council Meeting at Ministerial level on 27-28 April, 1998, to develop, in conjunction with national governments, other relevant international organizations and the private sector, a set of corporate governance standards and guidelines. Since the Principles were agreed in 1999, they have formed the basis for corporate governance initiatives in both OECD and non-OECD countries alike. Moreover, they have been adopted as one of the Twelve Key Standards for Sound Financial Systems by the Financial Stability Forum. Accordingly, they form the basis of the corporate governance component of the World Bank/IMF Reports on the Observance of Standards and Codes (ROSC).

The Principles are intended to assist OECD and non-OECD governments in their efforts to evaluate and improve the legal, institutional and regulatory framework for corporate governance in their countries and to provide guidance and suggestions for stock exchanges, investors, corporations, and other parties that have a role in the process of developing good corporate governance. The Principles focus on publicly traded companies, both financial and non-financial. However, to the extent they are deemed applicable, they might also be a useful tool to improve corporate governance in non-traded companies, for example, privately held

and state-owned enterprises. The Principles represent a common basis that OECD member countries consider essential for the development of good governance practices. The OECD principles presented in cover the following areas: ensuring the basis for an effective corporate governance framework; the rights of shareholders and key ownership functions; the equitable treatment of shareholders; the role of stakeholders; disclosure and transparency; and the responsibilities of the board.

2.2.5 Concept of Financial Standards Compliance and Investors' Confidence

Business organizations whether financial or non-financial organization are governed by laws, rules, regulation, standards and ethical code of conducts. These are put in place to guide and monitor the operation of the firms and ensure higher performance. It is therefore necessary for a business to comply with all the rules and principles put in place. Of particular interest are the laws relating to finance and accounting system, which to a large extent are associated with the financial performance and position of an entity.

Banks in Nigeria operate based on a number of laws and financial and accounting standards and the audit committee is there to ensure that these standards are being applied in the transactions and general operations of the banks. For instance, the accounting system of banks in Nigeria is to a large extent guided by the CBN as a regulator and supervisor of banks and other financial institutions under the provisions of the BOFIA. The Act spells out the accounting and financial reporting framework of banks in addition to those provided by the CAMA.

Specifically, Part XI of the CAMA-Financial Statements and Audit, requires all companies in Section 331 to keep accounting records, which should cover all matters in respect of all receipt and expenditure, and be sufficient to show and disclose with reasonable accuracy, at

any time, the financial position of the company. As a matter of emphasis and to ensure compliance, Section 333 stated the penalties for non-compliance with the provisions of sections 331 and 332 of the CAMA (failure of keeping accounting records). However, Section 334 vested the responsibility of preparing financial statements in respect of each year of the company on the directors. The section in sub-section 2 enumerated the contents of financial statements which should include, statement of accounting policies, the balance sheet as at the last date of the year, a profit and loss account or, in the case of company not trading for profit, an income and expenditure account for the year, notes on the account, the auditors' report, the directors' report, a statement of cash flow, a value added statement of the year, a five-year financial summary, and for a holding company, a group financial statement. CAMA also in Section 335 presented the form and content of individual financial statements, and requires the financial statements of a company to comply with the requirements of Schedule 2 to the Act (as far as applicable) and with the accounting standard as issued from time to time by the (FRC) and the International Financial Reporting Standards (IFRS). These are among the relevant legal efforts to come up with a credible and high quality financial reports in Nigeria, which is part of the responsibilities of the audit committee to ensure that the management are complying with.

The concept of investor confidence is simply the extent to which investors accept the information from a firm and apply it in the investment decisions. This could not be possible unless there are effective mechanism of monitoring and control in place that would assure the investors the reliability of the firm operation with regard to performance and compliance with the relevant legislations. However, by properly implementing the audit committee functions, firms are expected to enhance the financial statement credibility, objectivity and reliability, improve the management staff accountability, reduce any opportunistic behavior of

management, increase the efficiency and effectiveness of internal control as well as that of internal and external auditor and strengthen the board of directors function while helping them to meet their legal responsibilities (Wolnizer, 1995).

In general, the implication is that the audit committee activities could improve the firm corporate governance and financial reporting quality, which is positively associated with higher investor confidence. Similarly, Menon and Williams (1994) suggested two potential advantages gained from establishing the audit committee. Firstly, the independent audit committee may act as an independent party among the internal auditor and the external auditor. The independent members of the audit committee help them to provide an impartial assessment, among the function of the internal auditor and the services of the external auditor, which in turn improves the financial statement quality and integrity of the firm (Imhoff, 2003). Secondly, the audit committee may enhance the efficiency of the board's function, mainly when the board has a large number of directors. In addition, the Blue Ribbon Committee (1999) is of the view that the audit committee formation can enhance the financial statement credibility and therefore, maintain the confidence of the investors. This is based on the fact that the audit committee will be more effective in helping to ensure the transparency and integrity of financial reporting and, thereby, maintain the investors' confidence, which makes our securities markets the deepest and most liquid. Therefore, the degree to which corporations observe basic principles of good corporate governance is an increasingly important factor for investment decisions. That is, adherence to good corporate governance practices will help improve the confidence of domestic investors, reduce the cost of capital, underpin the good functioning of financial markets, and ultimately induce more stable sources of financing.

2.2.6 Concept of Firm Performance

Firm performance is critical to the economic well-being of the owners and the overall economy. For instance, Flamholtz, Das and Tsui (1985) analyzed the concept of performance and its measurement from traditional perspective, where they regarded the term as an element of the planning and control cycle that captures performance data, enables control feedback, influences work behaviour. In the words of Simons (1990), the concept of performance revolves around monitoring and strategy implementation. It is mainly underpinned by a financial perspective (Johnson & Kaplan 1987). Generally, performance measurement plays a key role in the development of strategic plans and evaluating the achievement of organizational objectives and serves as a signaling and learning device (Simons 1990: Ittner&Larcker 1998). Therefore, Khan, Shah, and Atta (2009) regarding the company's present and future performance opined that performance can be seen from many variables, such as stock price performance, reported earnings, or market share of a firm.

According to them, investors are keen in the stock return and an upward trend in stock return, which attracts investors toward investment in stock that will further raise the demand in the stock market and will lead to increasing stock prices and performance of the stock market. However, Sonnentag and Michael (2001) document that when conceptualizing performance, one has to differentiate between an action (that is behavioural) aspect and an outcome aspect of performance. According to them, the behavioural aspect refers to the consequence or result of the individual behavior. The outcome aspect described behaviours which may result in outcomes such as number of engines assembled, and sales figures and etc. Based on this, financial performance is defined as a subjective measure of how well a firm can use asset from its primary mode of business and generate revenues. The term is also used as a general measure of a firm's overall financial health over a given period of time, and

can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. It can also be referred to as the business independent criteria to assess its overall outcomes, in relation to its own goals. Zeitun and Tian (2007) see the concept of performance as a controversial issue in the financial strategy of most corporate organizations due to its multidimensional meanings. According to them, performance measures are either financial or organizational. Financial performance such as profit maximization, maximizing profit on assets, and maximizing shareholders benefits are the core of firms' effectiveness (Chakravarthy, 1986). Operational performance measures such as growth in sales and growth in market share and provide a broad definition of performance as they focus on the factors that ultimately lead to financial performance (Zeitun&Tian, 2007). Heng and San (2011) advanced other ways of measuring corporate performance which are productivity, profitability, growth or even customer satisfaction.

Barbosa and Louri (2005), opine that financial measurement is one of the tools which indicate the financial strengths, weaknesses, opportunities and threats. These financial measurements according to them include Return on Investment (ROI), Residual Income (RI), Earnings Per Share (EPS), Dividend Yield, Price Earnings Ratio (PER), book value per share, etc. However, the most commonly used performance measure proxies are return on asset (ROA), return on equity (ROE) or return on investment (ROI). These performance measure proxies are termed as accounting measures. There are other measures of corporate performance called market performance measures, such as price per share to the earnings per share (P/E), market value to book value of equity and Tobin's Q. All these can also be referred to as the financial measures of performance.

Mubaraq (2005) opines that there are many measures of performance based on non- financial information as not all activities of an enterprise are capable of being expressed in monetary terms, and financial statements only are not adequate to measure all aspects of performance. The following points are what he termed as non-financial measures of performance: staff turnover, training time per employee, number of production stoppage through strikes, absenteeism and accidents, number of complaints received, number of customers and suppliers, output per employee, production lead time, adherence to quality and product quality.

As a performance measure, ROA is generally considered as a good internal management ratio because it measures profit against all of the assets an organization uses to make those earnings. Hence, it is a way to evaluate the organization's profitability, performance, and effectiveness. ROA provides good information about a firm's financial performance in terms of using assets to create income. It shows the percentage of profit that a corporation earns in relation to its overall resources. Thus, it is considered as a measure of efficiency too. A firm with high ROA means that it is good at translating assets into profits. ROA is generally seen as a stable financial performance ratio; an increasing ROA indicates that a firm generates more profitability while a decreasing ROA indicates that a firm generates less profitability.

Earnings per share represent the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability. Earnings per share are used for the purpose of evaluating the prices of company's shares and it gives an idea of its growth in earnings over the years. Earnings per share enable comparison to be made between the company's earnings and its dividend payouts.

Net profit margin is a ratio derived from the operating income section of an income statement compared to sales. Net margin is obtained by dividing profit before tax by sales and this shows how efficiently the company is able to generate profits from its primary operations. This measurement is especially useful to investors wanting to see how profitable and stable the company operations are. The concept of performance has multidimensional meanings, however, this study agrees with the definition of Barbosa and Louri because their definition conform to the Strengths, weaknesses, opportunities and threats (SWOT) principle.

2.3 Review of Empirical Studies on Audit Committee and Performance

The Sarbanes-Oxley Act (SOX, 2002) sees audit committee as a committee (or equivalent body) established by and amongst the board of directors of an issuer for the purpose of overseeing the accounting and financial reporting processes of the issuer and audits of the financial statements of the issuer. According to SOX, audit committee roles should include the review of financial statements, the effectiveness of the company's accounting and internal control systems, and the findings of the auditors and to make recommendations on the appointment and remuneration of the external auditors. In a similar effort, Spira (2003) defined audit committee as an effective body that protects the interests of shareholders and ensure the reliability of information disclosed.

In essence, Vienot (1995) provides that the audit committee's main task is to ensure the relevance and consistency of the accounting policies adopted for the consolidated financial statements and the company's social responsibilities and verify that the internal procedures for collecting and monitoring information guarantee them. Moreover, the audit committee is an operational arm of the corporate board of directors serving as a controlled mechanism capable of establishing an interface between the management and the statutory audit and

reduces conflicts of interest and subsequently the agency costs (Chen & Zhou, 2007). The functions of an audit committee is to supervise and control the audit process and also resolve any dispute that may arise between the auditors and management. Specifically, Klein (2002) and Bryan and al, (2004) summarized the functions of audit committee as; the appointment of external auditors; meeting on a regular basis with managers and external auditors to evaluate the financial statements of the firm; communication with internal and external auditors during the audit process and internal control; one of the primary functions of the audit committee is to maintain a continuing review of the corporation's financial data and internal accounting controls, contributing to the integrity of financial reporting.

However, in view of the crucial role of an audit committee as a board monitoring mechanism, previous studies and regulators such as SOX (2002) suggested that the committee should possess some certain attributes which include sufficient number of committee members (size) and composition, independence, expertise and meeting frequency (De Zoort *et al.*, 2002; Walker, 2004). According to them these attributes could affect the effectiveness of the committee in the monitoring and control responsibilities. In this regard to better perform the function of monitoring and control efficiently, Klein (2002) and Bryan *& et al.* (2004), have stressed the importance of certain characteristics related to the members that form the audit committee.

2.3.1 Audit Committee Size and Performance

Existing literature on audit committee effectiveness maintain that the size of the audit committee is one of the significant attributes that contribute to its effectiveness. Vafeas (2005), argued that where the audit committee size is too small then an insufficient number of directors to serve the committee emanate and thus decrease its monitoring effectiveness. That

is a small committee is not capable of fulfilling its duties efficiently as the responsibilities are always on the increase. Additionally, when a committee size is too large, the directors' performance may decline because of the longer coordination and process problems and hence, weak monitoring and control (Jensen, 1993; Vafeas, 2005).

However, Abbott *et al.* (2004) and Vafeas, (2005) opined that the perfect average of the audit committee size is between 3 and 4 members. Evidence from the previous studies suggested that the firms with large audit committee are more effective in monitoring the management. In view of this, Yang and Krishnan (2005) reviews that quarterly earnings management is lower for the firms that have large size of audit committee. This implies that having a sufficient number of audit committee members increases the efficiency of its monitoring function in terms of financial reporting integrity. As such, most of the literature on audit committee size and performance believe that larger audit committee size is associated with higher financial reporting monitoring and control. For instance, Bedard *et al.* (2004) argue that it is important to increase the number of members of the audit committee to ensure more effective control of accounting and financial processes. Similarly, Anderson *et al.* (2004) reviews that large size audit committees can protect and control the process of accounting and finance with respect to small committees by introducing greater transparency with respect to the shareholders and creditors which has a positive impact on the financial performance of the company.

Bouaziz (2012) study the impact of the characteristics of the audit committee on the financial performance (ROA and ROE) of Tunisian companies using a sample of 26 Tunisian companies listed on the Tunis Stock Exchange. The results show that the audit committee size has a significant positive impact on financial performance measured by ROA and ROE.

The study concludes that the audit committee is significant in improving the financial performance. Ali, Kaid and Hanim (2012) examine the relationship between the internal corporate governance mechanism related to the board of directors, the audit committee characteristics and the performance of the Saudi companies listed in the Saudi Stock Exchange (TADAWL) in 2010, excluding financial companies. The study used Tobin's Q ratio to measure performance; the statistical results of the study are contrary to agency theory that board of directors and audit committee might mitigate agency problems leading to reduced agency cost by aligning the interests of controlling owners with those of the company while Audit Committee size is reviews to have a significant relationship with firm performance,(but in the opposite direction to expectation). Other hypothesized variables, such as audit committee independence, audit committee meeting were reviews to be as expected directions but insignificantly related to firm performance measure except the direction of the proportion of non-executive directors was opposite to the expectations.

Ojulari (2012) examines the relationship(s) that exists between audit committee characteristics in Nigeria and firms' value using five audit committee characteristics variable and five firm's value variables. The five audit committee characteristics adopted for the study are size of audit committee, directors' independence, financial literacy of directors, number of meetings held by the committee and multiple directorships. The five variables used for firm's value are Return on Equity, Net Profit margin, Sales/Turnover Growth, Tobin's Q and Dividend yield. The first three financial variables are termed profitability variables while the last two variables are termed investors variables. Twenty five FTSE100 firms were selected for the study and two years data were collected on these firms to give a 50 year data set.

The result of the tests shows that the two variables (i.e. Audit committee and financial performance) are more positively related on an overall efficiency basis than on an individual basis when looked at from the profitability angle while they are more related on an individual basis than collectively when looked at from investors' angle. The study concludes that all the variables of audit committee effectiveness work together to improve firms' profitability but investors pay more premiums on some of the audit committees' characteristics than others, and, all the characteristics put together. Moreover, the study infers that audit committee effectiveness do have an impact on a firm's value but the degree of the impact differs from profitability to investors confidence and also whether on individual or collective basis.

Aldamen, Duncan, Kelly, McNamara and Nagel (2011) conducted a study on how governance enhances audit committee characteristics in mitigating the firm performance impact of significant-adverse-economic events such as the Global Financial Crisis (GFC). Their analysis shows that smaller audit committees with more experience and financial expertise are more likely to be associated with positive firm performance in the market. They also find that longer serving chairs of audit committees negatively impacts on accounting performance. Moreover, accounting performance is positively impacted where audit committees include blockholder representation, the chair of the board, whose members have more external directorships and whose chair has more years of managerial experience.

A study by Sharma, Naiker and Lee (2009) reviews positive association between the higher risk of financial misreporting and audit committee size, institutional and managerial ownership, financial expertise and independence of the board. Thus, this study argues that the frequency and number of meetings potentially impact on firm performance.

Inaam, khmoussi, and Fatma (2012) empirically examined the effect of audit committee characteristics on real earnings management in Tunisian, context using 319 firm-year observations during the period 2000-2010. They reviews that the size of the audit committee is positively associated with the level of real earnings management. Their findings are however inconsistent with their expectations and the findings of most scholars that reviews that audit committee size has a negative impact on earnings management.

The studies by Ali *et al.*, (2012), Ojulari (2012), Bouaziz (2012), Aldamenet *al.*, (2011) have well examined audit committee size and performances, they are also limited by the use of quantitative methodology and most of them are not conducted in Nigeria. This requires a logical study like the present one to examine the impact of audit committee size on performance using both the primary and secondary data. On the other hand, Zhou and Chen (2004), Cornett *et al.*, (2010), Abbott *et al.* (2000), Sharma *et al.*, (2009), Inaamet *al.* (2012) focused on audit committee size and financial reporting quality, while this is an important aspect of audit function, examining the impact of audit committee size and performance could have made more difference and provide managers with the empirical evidence of their opportunistic behavior on performance and financial reporting quality by extension.

2.3.2 Audit Committee Independence and Performance

Independence is an old attribute of the audit committee since the seminal work of Fama and Jensen (1983) which is based on the agency theory suggested that the independence of a non-executive director is a crucial quality that contributes to the effectiveness of audit committee monitoring function. Moreover, the report of the Blue Ribbon Committee (BRC) considers the independence as an essential quality of the audit committee in order to fulfill its oversight role. Based on this report, quite a number of studies have reviews a relationship between the

independence of the audit committee, the level of supervision and the level of fraud in the financial statements by using the percentage of outside directors to measure independence (Marrakchiet *et al.*, 2001; Bradbury *et al.*, 2006).

However, Keasey *et al.*, (1993) show that the independence of the members of the audit committee is the most important criterion that has effect on the reliability of financial statements. Moreover, Bryan and al (2004) find that the independence of the audit committee has a positive influence on the quality of earnings. In contrast, some studies opined that independent audit committees are less likely to be associated with financial statement fraud (Abbott *et al.*, 2004) but with a lower incidence of earning restatement because independent audit committee is able to provide unbiased assessment and judgment and able to monitor management effectively (Agrawal & Chadha, 2005). Stephen, Francis and Foyeke (2014) explore the influence of audit committee effectiveness on firm's performance using four characteristics: independence, financial expertise, size, and meetings of the audit committee. The performance measures were Return on Equity (ROE), Return on Asset (ROA) and Return on Capital Employed (ROCE). Twenty-five (25) manufacturing firms were selected and from which data were collected for the period (2004-2011). Empirical analysis was carried out using regression and correlation; the result of the analysis showed a positive significant relationship between independence and financial expertise of the audit committee and ROA, ROE and ROCE. However, the size and meetings of audit committee showed no significant relationship with all performance variables.

Hundal (2013) examined how independence, expertise and experience of audit committees can influence the quality of financial reporting in India. An effort has been made through the study to demonstrate several aspects of independence of audit committee, for example, in

formativeness, CEO's power, and frequency of meetings, substitutability and complementarities with alternative corporate governance mechanisms, directors' share ownership, and earning management. The study concludes that lack of independence, expertise and experience of audit committees have rendered regulations and corporate governance reforms in India less effective in performing their oversight functions. The study also concludes that some delays in interim reforms have eroded the independence of audit committees even further.

Saat, Karbhari, Xiao and Saed (2012) investigated the characteristics of audit committee members in 221 listed firms in Bursa, Malaysia. The results show that audit committee governing enhanced firm performance when there is high proportion of independent audit committee members with practicing accountant experience on the committee and firm explicitly disclosed the right of audit committee to report to the Stock Exchange of its breaching of Exchange and other regulatory rules.

Ame (2012) examined the relationship between audit committee effectiveness on audit quality of Nigerian money deposit banks listed on the Nigerian Stock Exchange. The study covers a period of 2007-2011 and the sample consists of fifteen banks that existed throughout that period. Using multiple regression technique to analyze the data, Ame concludes that there is no significant relationship between audit committee independence and audit quality and performance of Nigerian money deposit banks. He also opined that audit committee independence promoted as improving corporate governance in non-financial firms is not applicable to financial firms.

Bouaziz (2012) studied the impact of the characteristics of the audit committee on the financial performance (ROA and ROE) of Tunisian companies using a sample of 26 Tunisian companies listed on the Tunis Stock Exchange. The results on one hand show that the audit committee's independence has significant positive impact on financial performance measured by ROA, and the impact on ROE is insignificant. The study concludes that the audit committee is significant in improving the financial performance.

In a study of the effectiveness of Blue Ribbon Committee recommendations, Abbott, Parker and Peters (2000) examined the impact of audit committee on mitigating financial misstatements using a sample of 83 firms which misstated financial reports in the period 1991-1999. They hypothesised that the presence of an audit committee which meets the BRC's recommendation for minimum committee size is associated with a lower incidence of financial reporting misstatement. On the other hand, they reviews that independence of the committee is significant and negatively related to misstatement. In a meta-analysis on Corporate Governance and Earnings Management by García-Meca and Sánchez-Ballesta (2009), audit committee independence is reviews to be one of the major corporate governance mechanisms used in constraining earnings management. In the same vein, Bukit and Iskandar (2009) examined independent audit committee variables in a sample of 155 companies listed on the main board of Bursa Malaysia. The findings indicate that independent audit committee helps companies with high surplus free cash flow to reduce income increasing earnings management practices.

Zhou and Chen (2004) investigated the relationships among audit committees, board characteristics and earnings management by commercial banks during the period 2000 to 2001. They hypothesized that Banks with larger, more independent, more active audit

committees and audit committees with greater financial expertise and governance expertise are less likely to engage in earnings management through loan loss provisions. Using the proportion of outside directors in the audit committee to proxy audit committee independence, they reviews that audit committee independence plays an important role in constraining earnings management.

In Nigeria, Hassan (2013) conducted a study on financial reporting quality and monitoring characteristics in a sample of 32 firms for the period 2007 to 2011. The findings reveal that the audit committee independence has a positive relationship with the quality of financial information in the Nigerian listed manufacturing firms. This result supports the majority of the findings from other countries that showed that audit committee independence enhances financial reporting quality and consequently constrains earnings management.

The studies reviewed above heavily relied on secondary data with limited or no effort to use primary data. Also for a more robust outcome, the positive relationship reviews between some of the audit committee characteristics and financial reporting quality in the studies of Hassan (2013), Hundal (2013), Ame (2013), Zhou and Chen (2004), García-Meca and Sánchez-Ballesta (2009), Bukit and Iskandar (2009), Abbott *et al.*, (2000) could be extended to evaluate the impact of such positivism on investors' confidence and performance. While studies by Saatet *al.*, (2012), Stephen *et al.*, (2014), Bouaziz (2012) focused on audit committee independence and firm performance, they did not relate audit committee independence with external performance measures such as Tobin's Q. This could have expanded the policy implications of their findings. Moreover, the studies used quantitative methodology alone. However, this study adopts both quantitative and qualitative paradigms

and three measures of bank performance examined in relation to the components of audit committee (size, independence, meetings and financial expertise).

2.3.3 Audit Committee Financial Expertise and Performance

Audit committee expertise in financial matters is essential in providing effective control; DeZoort (1998) argued that the experience of the audit committee members in accounting, and auditing is essential for adequate understanding of oversight tasks. According to his arguments audit and internal control evaluation experience makes a difference in audit committee members' performance on an internal control oversight task. That is, audit committee members with experience make experts internal control judgments than members without experience.

The functions of audit committee necessitate the inclusion of a finance expert as a member of the audit committee as suggested by SOX (2002). SOX made this suggestion to the US SEC in relation to the composition of audit committee to adopt rules mandating audit committees of public firms to include at least one member who is a financial expert. SOX proposed a narrow definition of financial expertise to include individuals with experience in accounting or auditing. As such an audit committee member must have knowledge, understanding or experience in accounting or finance and be consistently knowledgeable of events affecting the changes in financial reporting process in order to increase the efficiency of the audit committee's performance, because the main duty of the audit committee is to review the financial reporting process to ensure the best quality.

It is generally agreed that having suitable experience and knowledge, mainly in accounting and auditing, is likely to improve the performance and judgment of the audit committee.

However, to fulfill their responsibility of oversight, of internal control and financial reporting, the audit committee must have the necessary expertise primarily on accounting and financial predictions according to Yang & al (2005) and Carcello & al (2006). Choi & al (2004) classified the audit committee expertise into five categories: the financial expertise; the accountancy; the expertise of university professors or former; the expertise of employees; and expertise in law.

Using different measures of expertise, evidence from prior empirical studies suggested that the audit committee financial expertise improves its monitoring ability and in turn increases the quality of financial reports. For instance, De Fond , (2005) show that market participants positively react to the appointment of the audit committee with financial expertise in accounting, but there is no reaction noted for audit committees with non-accounting financial expertise. This is because the committee members with accounting financial expertise improve the oversight function of the audit committees and consequently provides a credible signal to the investors whom the firms seek to provide a higher financial reporting quality. Similarly, DeFondet *al.*, (2005) suggested that positive market reaction is concentrated on the firms that are relatively strong in corporate governance; they concluded that the audit committee with financial expertise complements a strong corporate governance environment through improving the ability of the board to protect the interest of the shareholder as well as increase the value of the firm

Krishnan and Visvanathan (2008) revealed that the audit committees can proficiently assess both the nature and the appropriateness of accounting choices, constrain the accounting policies' aggressiveness and provide incentives in order to avoid the litigation risk. The study also suggested that the audit committees' increase the overall monitoring function than the

audit committees with non-accounting or non-financial expertise, particularly in the environment where the board of directors is strong.

DeFond *et al.* (2005) and Krishnan and Visvanathan (2008) measured audit committee expertise in three ways: accounting financial experts (directors with experience as certified public accountant, controller or chief accounting officer), non-accounting financial experts (director with experiences as chief executive officer or president) and nonfinancial experts (directors who are neither accounting nor non-accounting financial experts).

In summary, audit committee financial knowledge and experience improve the oversight function of the audit committee and its ability to ease effectively the process of the financial reporting. That is, the audit committees with financial expertise create effective monitoring function.

Bouaziz (2012) studied the impact of the characteristics of the audit committee on the financial performance (ROA and ROE) of Tunisian companies using a sample of 26 Tunisian companies listed on the Tunis Stock Exchange. The results show that the audit committee expertise has significant positive impact on financial performance measured by ROA and ROE. The study concludes that the audit committee is significant in improving the financial performance. Defond, Hana, and Hu (2005) investigated the role of audit committee expertise using a three-day cumulative abnormal returns around the announcement of 702 newly appointed outside directors assigned to audit committees during a period of 2002-2003. They separately examined appointments of each type of expert i.e. accounting financial expert and non-accounting financial. They measured accounting financial expert as all directors with experience as a public accountant, auditor, principal or chief financial officer,

controller, or principal or chief accounting officer (these categories are chosen based on the suggestions included in the initial version of SOX proposed by the SEC) while non-financial experts are all directors who do not meet the definition of a SOX financial expert.

They reviews a positive market reaction to the appointment of accounting financial experts assigned to audit committees but no reaction to non-accounting financial experts assigned to audit committees. This supports the notion that market participants place more value to financial statements that were reviewed by a company who has a financial expert in its audit committee.

While the studies by Bouaziz (2012) and Defondet *al.*, (2005) have well examined the audit committee expertise, they are limited by the use of quantitative methodology which does not usually provide a clear picture of the situation without complementing it with the opinions and judgments of the stakeholders particularly, investors. The present studies are unique in using different performance measures and qualitative techniques in relating components of audit committee to performance of DEPOSIT MONEY BANKS in Nigeria.

2.3.4 Audit Committee Meetings and Performance

Another feature that affects the performance of audit committee is the frequency of meetings. Extant literature in this aspect suggested that firms with the higher number of audit committee meetings experience less financial problems and higher monitoring and control (Abbott *et al.*, 2004; Xie *et al.*, 2003). According to this stream of literature, audit committees that meet regularly during the financial year are associated with effective monitoring. The more frequent they meet, the more efficient they discharge their oversight responsibilities. Consistently, Krishnan and Visvanathan, (2009) show that the firms with higher number of audit committee meetings demand more assurances and higher quality audit from their

auditors. In order to provide more assurances and higher quality of external audit, the auditors may need to perform additional audit work in terms of enlarging the audit scope and increasing the audit testing levels, which results in both higher audit fees and higher audit quality. As a result, the higher the frequency of an audit committee meeting the more its effective monitoring function.

Saat, Karbhari, Xiao and Saed (2012) assessed the characteristics of audit committee members in 221 listed firms in Bursa Malaysia. They reviews a negative relationship between the composition of audit committee exclusively by independent director and the convening of independent committee members meeting with the external auditor without executive officers presence and firm performance. Cornett, McNutt, and Tehranian (2009) investigated the relationship between corporate governance and earnings management at large U.S. bank holding companies. They aimed at studying how audit committee meetings can constrain earnings management. They measured audit committee meetings after controlling for firm size, and reviews that audit committee meetings are significantly negatively related to earnings management. That is to say, as audit committee meetings increases, monitoring of the bank increases and the bank managers are less likely to inflate income by underreporting loan losses and/or over reporting securities gains.

Hassan (2013) investigated financial reporting quality and monitoring characteristics in a sample of 32 manufatutring firms in Nigeria during the period 2007 to 2011. The result shows that the audit committee meetings have a positive relationship with financial information quality in Nigerian listed manufacturing firms. Beasley, *et al.* (2000) examined the relationship between frequency of audit committee meetings and the likelihood of financial statement fraud. They reviews that the nature of fraud differs by industry. They do

not find convincing evidence that companies involved in fraud have fewer audit committee meetings. The possible reason for this result could be a result of the study focusing on one year only. This makes the statistical tests and generalization of their findings unreliable.

Thoopsamut (2008) examined the relationship between audit committee characteristics, audit firm size and earnings management in quarterly financial reports of companies listed in the Stock Exchange of Thailand. The study reviews that, the number of meetings of audit committees is not significantly related to quarterly earnings management. Another plausible explanation for the absence of findings on the effect of the frequency of audit committees meetings is that the number of audit committee meetings may not reflect committee diligence. This is supported by some evidences such as that of Turley and Zaman (2007) that used a case study approach, interviewing nine individuals at one U.K company, including the audit committee chair, internal and external auditors and senior managers. They reviews that the audit committee's greatest impact comes through informal processes. The audit committee tends not to raise complex, probing questions or views during board or audit committee meetings, but they influences governance outcomes through informal meetings with auditors.

Sharma, Naiker and Lee (2009) reviews evidence that the number of audit committee meetings is negatively associated with multiple directorships, audit committee independence, and an independent audit committee chair. They reviews a positive association between the higher risk of financial misreporting and audit committee size, institutional and managerial ownership, financial expertise and independence of the board. Thus, this study argues that the frequency and number of meetings potentially impact on firm performance. Cohen, Gaynor, Krishnamoorthy, and Wright (2014) examined the notion that the regulations of audit committees must be economically independent. The study using source credibility theory as a

framework, investigated whether knowledge of social and professional ties affect investors' assessments of audit committee independence, competence, and effectiveness and, ultimately, investment decisions. The results of an experiment with 263 reasonably informed investors indicated that investors viewed the audit committee as more independent and effective and made more favorable investment decisions when no ties were present than when there were ties (social or professional) between audit committee members and the CEO. Further, audit committees with professional ties are viewed as more independent, competent, and effective than those with social ties. Results also indicated that both independence and competence mediate the relationship between ties and effectiveness. In all, the results indicated that knowledge of ties between the CEO and audit committee members significantly influences investors' assessments about audit committee effectiveness and investment decisions.

However, the studies by Zhou and Chen (2004), Thoopsamut (2008), Cohen *et al.*, (2014), Turley and Zaman (2007), Beasley, *et al.* (2000), Xie *et al.* (2001), Hassan (2013), Abbott *et al.*, (2000) investigated audit committee meetings using secondary data and parametric tools of analysis, but they failed to complement their analysis with primary data and this makes their contributions limited. Saatet *et al.*, (2012), and Sharma *et al.*, (2009) examined the frequency of audit committee meetings and firm performance, while this is a good effort, they basically used secondary data in the analysis. This study involves the use of both the primary and secondary data to evaluate the impact of audit committee characteristics on performance of deposit money banks in Nigeria.

2.4 Theoretical Framework

Mechanisms and theories associated with the development of corporate governance are quite varied. The exposition of some of these mechanisms and theories will help provide insight to

the framework, see the interaction, (this study adopts the agency theory) thereby providing the underlining of the current study.

2.4.1 Agency Theory

Agency theory identifies the agency relationship with one party, the principal who delegates work to another party, the agent. In the context of a corporation, the owners are the principal and the directors the agent. In organizations and issues of corporate control, agency theory views corporate governance mechanisms, especially the board of directors as being an essential monitoring device to try to ensure that any problem that may be brought about by the principal-agent relationship are minimized.

The separation of ownership from control in the modern enterprise, the agent-principal relationship and the consequential conflict of interest has emerged. Ideally, managers as agents are expected to monitor corporate affairs in a most profitable manner so as to maximize the value of the owners as principals and protect the interest of other stakeholders. Under the theory, managers are responsible for managing the business profitably and are also responsible for preparing financial statement of the organization at the end of the period. While the control and the running of the day-to-day affairs of corporate entities is with the managers, there are two major factors that usually give rise to agency problem; self-serving interest and incentives/managerial discretions. For instance, the interest of management usually conflicts with the interest of the owners, in which the managers try to meet their goals at the expense of the firm, and this can affect the performance in many ways. On the other hand, managers are usually given incentives to meet or to beat earnings target and hence receive bonuses that are tied to the firm's earnings (i.e. performance related). Considering the influence of managers and possibilities of information asymmetry between managers and owners, the managers are likely to use the discretion they have on accruals and manipulate

firm performance through accounting earnings. This however, reduces the reliability of financial statements and affects the investors' confidence adversely. As a consequence, managerial discretions and information asymmetry usually make it very difficult for stockholders to trust managers and accept their stewardship activities. Therefore, the owners need to put in place structures and control mechanisms to reduce the gap that exist by putting their representative in the board and creating the audit committee to verify the performance and the reliability of management reports as contained in the financial statements. This is with the view to effectively reduce the agency cost caused by separation between ownership and control (Fama& Jensen 1983). Therefore, in order to constrain the agency problem and achieve a desired level of performance and credible financial reporting, Weir, Laing, and McKnight, (2002) and Roberts, McNulty and Stiles (2005) stressed that the agency theory provides a basis for the governance of firms through various internal and external mechanisms. These governance mechanisms according to Davis, Schoorman, and Donaldson (1997) are designed to ensure agent-principal interest alignment, protect shareholder interests and thus minimize agency costs.

Fama (1980) and Fama and Jensen, (1983) stated that the use of an audit committee can be considered an important part of the control system for internal monitoring and compliance by boards of directors. Bradbury (2006) added that requirements for monitoring suggest the need for audit committees. Regulators and most of the legislation around the world require the audit committee to be composed of non-executive directors. According to Abbott (2004), Chen & Zhou (2007) and Krishnan & Lee (2009) having non-executive director on the board and in the audit committee may strengthen both the board and the audit committee monitoring functions. However, monitoring mechanisms such as audit committee enables the owners to closely monitor the activities of the managers; thus, weak monitoring may allow

managers to engage in unethical practices, while effective audit committee will reduce such practices by managers. Based on the agency theory, audit committee functions are expected to yield a positive impact on the performance, compliance with the relevant laws and enhance the confidence of the investors. In line with this theory, empirical studies revealed that the size of audit committee, knowledge and experience and a greater frequency of meetings may strengthen both the board and the audit committee monitoring functions and in return the overall performance and confidence of the capital market participants (Carcello *et al.* 2002; Abbott *et al.* 2004; Chen & Zhou 2007; Monks & Minow 2008; Ronen & Yaari 2008; Krishnan & Lee 2009). Specifically, Walker (2004) emphasized that the performance of audit committees generally depend upon the people involved, their knowledge, skills, critical capacities, skepticism and determination.

2.4.2 Power Theory

According to Weber (1968), power is the ability to act successfully even against the resistance of others. Other scholars like Al-Lehaidan (2006) define power as the situations in which one social actor prevails over others. For Pfeiffer (1982), power often is an implicit element in the control of organizational action. Hence, components of organizations, such as audit committees, must possess power to discharge their responsibilities effectively. In the context of audit committees, Kalbers and Fogarty (1993) identified six types of power that could affect audit committee such as legitimate power, sanctionary power, information power, expert power and will power. In their study, they investigated the contribution of the power of audit committees in 90 US firms. Kalbers and Forgarty proposed that audit committee effectiveness is perceived as function of the types and extent of audit committee power. Their results revealed that the will power (diligence) has the most impact on audit committee effectiveness among the personal powers. Also, they reviews that formal, written

authority and observable support from management played the most important roles in audit committee effectiveness (institutional powers). The classification of the different type of powers by Kalbers and Fogarty has aided the understanding that audit committees are composed of individuals, and as a result, their personal attributes cannot be ignored. Furthermore, the desire to do the work of the audit committee with a high level of commitment could be an important factor in determining audit committee effectiveness (will power). The will power is enhanced greatly if the audit committee members were independently nominated and remained independent from management while playing their oversight role of ensuring that the quality of the financial reporting process is not impaired (Al-Lehaidan, 2006). Webber, (1968) in his contribution also describes the connection between audit committee and the performance. According to this perspective, a desired outcome is determined by a power to influence it. The theory focuses on how power can be used to instigate obedience; which infers its potential as a means to control resources and actions.

The study classified the six types of power into two groups, namely, personal powers (will, expert and referent) and institutional powers (information, legitimate and sanctionary), the results of the study revealed that the will power (diligence) has the most impact on audit committee effectiveness among the personal powers. Also, it is reviews that formal, written authority and observable support from management played the most important roles in audit committee effectiveness (institutional powers).

Kalbers and Fogarty (1993) classification has aided the understanding that audit committees are composed of individuals, and as a result, their personal attributes cannot be ignored. Members skilled in areas such as accounting, finance, management and corporate relations could be expected to play a significant role in the effectiveness of such committees and ultimately contribute to the overall financial reporting quality thereby reducing practices like

earnings management. This is the main purpose of expert power (Al-Lehaidan, 2006). The will power is enhanced greatly if the audit committee members are independently nominated and they remain independent from management while they play their oversight role of ensuring that the quality of the financial reporting process is not impaired (Al-Lehaidan, 2006). On the other hand, referent power indicates that audit committee members with personalities capable of influencing others are likely to make a difference and will contribute to audit committee effectiveness. While legitimate power results from the fact that an audit committee is established through delegations of responsibility from the board of directors. However, this board of directors is saddled with ultimate accountability for corporate management. In spite of the fact that the work of the audit committee may be reviewed by the board of directors, the audit committee still holds important decision-making authority especially on issues relating to financial reporting and performance (Al-Lehaidan, 2006). The context of sanctionary power results from the ability of the audit committee in making decisions that can have impacts on rewards and punishments to other parties such as management, the internal auditors and external auditors. However, because audit committee members are most often outside directors, they are dependent on management, internal auditors, and external auditors for information (SEC, 2011). Hence, the success of such committee depends on the institutional support that it will get from all the three parties. Decisions made by the audit committee are rationally influenced by the members' ability to obtain information and to use it in a way most likely to accomplish audit committee objectives (Al-Lehaidan, 2006).

2.4.3 Efficiency Contracting Theory

Existing literature indicates that Efficiency Contracting Theory could have an impact on financial and non-financial performance of a firm (De Angelo *et al.*, 1994). From this

perspective, managers are psychologically expected to perform efficiently, and as such they resort to exercise accounting discretion in an efficient manner in order to maximize the value of the firm in the long run. Based on this proposition of the efficiency contracting theory, audit committee as a control measure over management is expected to yield a better firm Performance. De Angelo *et al.*, (1994) and Keating and Zimmerman (1999) work on the framework of efficiency contracting and reviews evidence supporting the correlation of weak firm performance and poor financial reporting quality. This implies an ineffective monitoring of managers and as such poor firm performance, which send a bad signal to the market and hence, managers might indulge in earnings manipulations or window dressing, which implies poor financial and performance reporting. Although the agency, power and efficiency theories have provided very important and useful insights, they seem to be quite ineffective in helping us resolve the conflict of interest between owners of companies and stakeholders and the governance concerns inherent in them. Also, the theories have not explained the effect of Audit Committee on firm's performance which is the paradigm of this study.

In an effort to provide the policy makers and business owners with logical input to address the problems of corporate failures and defaults, a plethora of empirical works have examined audit committees. For example, Carcello and Neal, (2003), Felo *et al.*, (2003); Abbott *et al.*, (2003); Bédard, *et al.*, (2004); Mangena and Tauringana, (2008); Mangena and Pike, (2005); Klein (2002), using quantitative methods to document a positive correlation between audit committee and performance and financial reporting quality. Rainsbury, Bradbury and Cahan (2009) examined the association between the quality of audit committees and performance, financial reporting quality and external audit fees. The study uses a sample of 87 New Zealand firms in 2001 when no regulations or listing rules existed for audit committees. Their results show no significant association between the quality of an audit committee and the

quality of financial reporting and performance. Further, Baxter (2007) investigated whether the formation of audit committees and their characteristics are associated with improved performance and financial reporting quality using both a modified version of the traditional Jones (1991) discretionary accruals model and the more recently developed accrual estimation error model from Dechow and Dichev (2002) to estimate proxies for financial reporting quality and performance. They reviews that earnings quality measured using the modified Jones (1991) model significantly reduced in the year following the audit committee formation, thus providing some support for the notion that the formation of audit committees improves performance and financial reporting quality.

Similarly, Kim, Segal, Segal and Zang (2012) examined the impact of changes in audit committee attributes (financial expertise, size, and independence) on firms' audit inputs and financial reporting quality. They reviews that the decline in restatements is not related to the improvement in audit inputs. This suggests that larger, more independent, and more competent audit committees are better able to detect misstatements or deter opportunistic reporting by management.

In the same vein, Saidin (2007) investigated audit committee characteristics and quality of unaudited financial accounts by using 261 sample companies listed on the Bursa Malaysia in 2004. It was reviews that audit committees with greater number of average directorship holdings in other companies and a higher number of members were reviews to be positively associated with nonvariations financial accounts. Also, Abbott and Parker (2000) reviews reduction in financial statement fraud with presence of financial expert in audit committee. Collier (1997), for UK listed companies, audit committees strengthened audit independence and public confidence in the integrity of the financial reporting. Wallace and Cravens (1995),

observed that US public companies with a nomination committee displayed both a market and accounting quantified performance advantage over companies without. Christopher (2009) analyzed the impacts of corporate governance arrangements such as board size and composition on bank performance using panel regression methods. This study reviews out that banks with larger size of board of directors and with a lower level of related-party loans tend to perform well. This finding illustrates the importance of corporate governance for bank performance. The result of panel regression shows that the size of banks is positively related to bank performance, indicating that the larger the bank, the better its performance. This is because large banks have better ability to diversify different types of risk from the investments, since they have sufficient capital to improve technology information and employ a better management team. In a similar manner, Vafeas (1999) examined the frequency of board meetings and reviews explanations both for and against a positive relationship between the frequency of board meetings and firm performance. Meetings provide an avenue for board members to converge and map out strategies on how to monitor managers and operations of the bank. Hence the more frequent the meetings, the more proactive the board is, setting standards and providing participatory leadership. On the other hand, fewer meetings will suggest an anticipatory board only responding to issues and events (reactive).

Some researchers believe that formation of audit committee is a symbolic of good corporate governance practices (Kalbers& Fogarty, 1998) others however, argued that audit committee benefits are only metaphorical rather than substantial (DeZoort, 1997). Turley and Zaman (2004) suggest that although there is correlation between audit committee characteristics with performance, the studies fail to suggest an accepted model on the effect of audit committee in corporate performance.

This study is therefore underpinned on the agency theory, because of the psychological belief that conflict of interest exists between the agents (managements) and the principals (owners), and that audit committee is a control mechanism in the equation. That is, while managements are self-serving agents, the act that erode economic performance, audit committee are expected to ensure managements act in the best interest of all stakeholders, thus, its positive relationship is expected between audit committee and performance. On the other hand, the study could also be viewed from efficiency theory and power theory.

2.5 Chapter Summary

This section reviewed and presented relevant and related literature on corporate governance and firm performance. The section covers the concept of corporate governance, the regulatory framework of banking business in Nigeria, concept of financial standards compliance, concept of investors' confidence, concept of firm performance, audit committee attributes and functions and the empirical studies on audit committee and performance. It also discusses the theories of corporate governance with regard to audit committee functions.

CHAPTER THREE RESEARCH METHODOLOGY

3.1 Introduction

This study adopts both the qualitative and quantitative research methodology. The section reviews the research design, population and sample of the study, sources and method of data collection for the study and the technique of data analysis. The definition and measurements of the variables of the study are also discussed; the models for the study as well as the justification of the methods and techniques used are also presented and discussed.

3.2 Research Design

This study employs qualitative and quantitative research methods. Therefore, the study adopts correlational and survey research design to evaluate the impact of the four components of audit committee (size, independence, meetings and financial expertise) on the performance (return on assets, net interest margin, and Tobin's Q). The ex-post fact research design involves the assessment of the relationships between theoretically related variables, and to observe the impact of the independent variable(s) on the dependent variable, so as to establish the relationship. The causal relationship design allows investigation of a contemporary phenomenon such as financial standard compliance and investors' confidence which are based more on behaviours of those who are in charge with the implementation of the corporate governance principles and the behavior of the investors among the variables

3.3 Population and Sample of the Study

The population of the study comprises of 17 banks listed on the floor of Nigerian Stock Exchange market as at 31st December, 2013. However, two banks (NPF Micro Finance Bank

Plc and Ecobank International) do not have complete data needed for the study because the banks were quoted December, 2010, as such are filtered out reducing the population to fifteen (15) banks. The study covers the period of seven (7) years (2007-2013). This period coincides with the period of several regulatory initiatives and review of corporate governance and best practices code. It also marks the period where some banks had weak structure and poor corporate governance. The period also coincides with the Capital Market melt-down and the subsequent regulatory imperatives.

The study used a total number of thirty two (32) key officers of the banks (15 secretaries and 16 heads of operations of the banks) for primary data collection, to assess the impact of audit committees' functions on the financial standards compliance by the banks. The motivations for collection of data from company secretaries was based on their responsibilities for advising board of directors on matters bordering on legal issues, corporate governance, company records, and general compliance issues and were in position to provide information needed for the research. The head of operation on the other hand, are the operatives of the rules and practices. The investors on their part, are the owners of business (shareholders) and their perspective on the subject was very important, to assess the impact of audit committees' on the investors' confidence. Data were obtained from registered Shareholders Associations at the Nigerian Stock Exchange (Lagos, Abuja and Kaduna). A sample size of 281 was used from a population of 950 members of registered shareholders' Associations using Yamane (1968) formula;

$$n = N / (1 + N(e)^2)$$

Where;

n	=	the sample size
N	=	the population
e	=	error limit/precision level (5%)
n	=	950 / (1 + 950 (0.05) ²)
	=	950 / (1 + 2.375)
	=	950 / 3.375

$$\begin{aligned} &= 281.481 \\ &= 281 \end{aligned}$$

3.4 Sources and Method of Data Collection

The study adopts both the primary and secondary sources of data. The study used secondary sources of data because the first three hypotheses of the study and the estimation of the models of the study require the use of quantitative data. Therefore, the method of data collection for these involves the financial statements (statements of financial position and income statements) of the sampled banks for all the period covered by the study (2007-2013) and the market values from the NSE daily listing. Specifically, the data for the audit committees' variables (size, independence, financial experience and meetings) were sourced from the non-financial statements of the annual reports and accounts. The market value of equity was obtained from the NSE daily listings.

The primary data was sourced from investors through the members of the Shareholders Associations of Nigeria, and some strategic staff of the sampled banks. Particularly, the data was used to assess the impact of audit committees' functions on the investors' confidence and the level of financial standards compliance by the banks. The instrument of data collection were structured questionnaires and interviews.

3.4.1 Instruments for Data Collection

In this study, a close-ended questionnaire was used; the use of closed-ended questionnaire was informed by two reasons. Firstly, the use of close-ended questionnaire saves the researcher from the biases and difficulties of data reduction during analysis and interpretation. Secondly, closed-ended questions are efficient in the positivist approach in providing timely and concise answers, with a chance of 100% response rate

The Survey questionnaire used in this research is divided into two sections; section 'A' deals with the personal data on the respondents, while section 'B' covers the audit committee's

functions and effectiveness in relation to investors' confidence. The questions are a combination of multiple choice closed-ended questions including a five point Likert type scale (Strongly Agree (1), Agree (2), Neutral (3), Disagree (4), Strongly Disagree (5)).

Both validity and Reliability of the questionnaire are considered, and involved both face and content validity. Reliability of the questionnaire using a pilot test was carried out. Reliability refers to random error in measurement. The study also made use of personal interview with the banks' secretaries in order to find out the impact of audit committee functions on the financial standards compliance. Secretaries are considered because they are in better position to provide such information for two reasons; one, they are usually in attendance at the board meetings and other important events; two, they are in custody of all the records and registers of the banks. Therefore, the researcher interviewed them based on their knowledge of the audit committee functions and operational performance of their banks.

3.5 Technique of Data Analysis

This study adopts both parametric and non-parametric techniques of data analysis. Ordinary Least Square (OLS), multiple regression technique of analysis using panel-data. The choice of OLS as a tool of data analysis is informed by the effectiveness of the technique in testing relationships among theoretically related variables and estimating the effects of one variable on the other. To ensure the reliability of results, the study also carried out some robustness test like Cronbach's Alpha to deal with the effects of Serial correlation, Multicollinearity, and Heteroskedasticity. The essence is to guard against spuriousness as observed by Granger and Newbold (1974) and Gujarati (2004) that, the presence of these factors usually bias the OLS estimators and thus, any conclusion drawn from the results will be spurious.

Therefore, estimation with OLS after addressing the problem of serial correlation, Multicollinearity and Heteroskedasticity is capable of producing estimators that are best linear unbiased estimators (Gujarati, 2004). The study also employed the Fixed Effect (FE) and Random Effect (RE) regression technique and other relevant tests on the panel to see if the OLS is not appropriate for the study.

For the non-parametric aspect, this study employed Kendall's Coefficient of Concordance (W) using content analysis to analyze the primary data collected from the respondents. The technique is effective in the analysis of opinion and perceptions about a particular event, policy or situation. Kendall's Coefficient of Concordance is used to assess the level of the respondents' agreement with the level of banks compliance with the financial standards and the possible effect of audit committee on investors' confidence. The analysis was conducted using Statistics/Data Analysis Software (STATA 11.1).

3.6 Variables Measurement and Models Specification

The variables of the study are the audit committee attributes variables, the independent variables (audit committee size, audit committee independence, audit committee financial expertise and the frequency of their meetings). The dependent variables on the other hand are the performance variables (return on assets, net interest margin and the Tobin's Q). The definition and measurement of the variables are presented in table 3.1.

In order to test the first four hypotheses formulated in the study and to achieve the objectives of the research, the following models were used;

$$\text{Performance} = f(\text{audit committee attributes})$$

$$\text{Performance} = f(\text{audit committee size, independence, expertise and meetings})$$

$$\text{Performance} = f(\text{AUDIT COMMITTEESIZ} + \text{ACIND} + \text{ACFEX} + \text{ACMET})$$

Therefore, the models are mathematically expressed as follows;

$$ROA_{it} = \alpha + \beta_1 \text{AUDIT COMMITTEESIZ}_{it} + \beta_2 \text{ACIND}_{it} + \beta_3 \text{ACFEX}_{it} + \beta_4 \text{ACMET}_{it} + \beta_5 \text{BCOMP}_{it} + \beta_6 \text{INSHL}_{it} + \beta_7 \text{FSIZE}_{it} + \mu_{it} \dots \dots \dots \text{i}$$

$$NIM_{it} = \alpha + \beta_1 \text{AUDIT COMMITTEESIZ}_{it} + \beta_2 \text{ACIND}_{it} + \beta_3 \text{ACFEX}_{it} + \beta_4 \text{ACMET}_{it} + \beta_5 \text{BCOMP}_{it} + \beta_6 \text{INSHL}_{it} + \beta_7 \text{FSIZE}_{it} + \mu_{it} \dots \dots \dots \text{ii}$$

$$\text{Tobin's } Q_{it} = \alpha + \beta_1 \text{AUDIT COMMITTEESIZ}_{it} + \beta_2 \text{ACIND}_{it} + \beta_3 \text{ACFEX}_{it} + \beta_4 \text{ACMET}_{it} + \beta_5 \text{BCOMP}_{it} + \beta_6 \text{INSHL}_{it} + \beta_7 \text{FSIZE}_{it} + \mu_{it} \dots \dots \dots \text{iii}$$

Where;

- it = time subscript for panel data
- μ_{it} = error term
- α = intercept
- $\beta_1 - \beta_7$ = coefficients; and
- μ_{it} = error term or residual of bank I in year t

Table 3.1 Variables Measurement

Variables Description	Name	Measurement	Source
Return on Assets	ROA	Measured as a ratio of earnings before interest and taxes to total assets.	Bouaziz (2012)
NetInterest Margin	NIM	Measured as a difference between interest income and interest expenses divided by total assets.	Ojulari (2012)
Tobin's Q	Tobin's Q	Measured as a ratio of book value of assets to market values of the assets.	Ojulari(2012) and Nagel (2011)
Audit Committee Size	AUDIT COMMITTEESIZ	Measured as a total number of committee members.	(2008) & Beasley, <i>et al.</i> (2000)
Audit Committee Independence	ACIND	Measured using a dummy variable stating 1 if the audit committee members are all non-executive directors that were appointed at the AGM in each accounting period and 0 for otherwise.	Ame (2013), Saat, Karbhari, Xiao and Saed (2012)
Audit Committee Financial Expertise	ACFEX	Measured as a dummy variable stating 1 if the audit committee has a member who currently has (or had previously) work experience as certified chartered accountants, chief financial officers, financial controllers, or any other major accounting positions in each accounting period and 0 for otherwise.	Defondet <i>al.</i> (2005) and Bouaziz (2012)
Audit Committee Meetings	ACMET	Measured as a total number of times the committee holds meeting during an accounting period.	Sharma (2009), Cohen (2014) Turley &Zamam (2007)

Source: Researchers Compilation from Literature

Therefore, the study test hypotheses one to three (H_{01} to H_{03}) from the regression results of models one to three.

3.7 Chapter Summary

This section presents and discusses the methods and techniques adopted to achieve the research objective. The study adopts both the quantitative and quantitative research methodology. Specifically, the section begins with research design, and then the population and sample of the study, sources and method of data collection for the study. Also, the technique of data analysis, definition and measurements of the variables of the study, models of the studies and the justification of the methods and techniques used in the study are presented and discussed.

CHAPTER FOUR DATA PRESENTATION, ANALYSIS AND INTERPRETATIONS

4.1 Introduction

This chapter presents the data collected for the study. It submits the various analyses of the data. Appropriate hypotheses for the study are presented. The chapter reviewed a number of policy implication of the study highlighting findings from the study. The chapter is divided into five sections. Section 1 deals with presentation and analysis of quantitative data, section 2 presents and analyses qualitative data, section 3 presents the hypotheses test results while section 4 discusses the major findings and section 5 presents the policy implication of the findings of the study.

4.2 Presentation and analysis of qualitative data

The descriptive statistics of the data collected is presented in Table 4.1 as follows;

Table 4.2.1: Mean-variable distribution of response of the study

Variables	Mean	SD	Min.	Max.	Skewness	Kurtosis	N
ROA	0.0495	0.0638	-0.0307	0.2406	1.5437	4.1275	105
NIM	0.3320	0.1203	0.0349	0.5871	0.0013	2.5848	105
TOBINQ	0.4961	0.0830	0.4060	0.8991	2.6141	11.2556	105
AUDIT	5.3619	0.6523	4.0000	6.0000	-0.5228	2.3150	105
COMMITTEESIZ							
ACIND	0.8667	0.3416	0.0000	1.0000	-2.1573	5.6538	105
ACFEX	0.8286	0.3787	0.0000	1.0000	-1.7436	4.0402	105
ACMET	2.6571	0.7048	2.0000	4.0000	0.5897	2.1805	105
BCOMP	0.5901	0.0777	0.3333	0.8333	0.6006	4.4359	105
INSHL	0.2688	0.2026	0.0000	0.6805	0.1851	1.9911	105
FSIZE	27.2	1.0038	24.0000	29.0000	-0.8665	3.7883	105

Source: STATA Output (Appendix A1)

Table 4.1 shows that Return on Assets (ROA) of deposit money banks in Nigeria has a mean of 0.0495 with standard deviation of 0.0638, signifying that the financial performance in terms of return on assets is 4.95% on average and the performance deviate from both sides of the mean value by 6.38%. The minimum and maximum values of financial performance in

terms of ROA during the period are -3.07% and 24.06% respectively. The coefficient of skewness of 1.5437 reveals that the data is positively skewed. Similarly, the coefficient of kurtosis of 4.1275 implies that the peakedness of the data is not normally distributed. Table 4.1 indicates that Net Interest margin (NIM) of the deposit money banks in Nigeria shows a mean of 0.3320 with standard deviation of 0.1203, signifying that the financial performance in terms of net interest margin is 33.20% on average and the performance deviate from both sides of the mean value by 12.03%. The minimum and maximum values of financial performances in term of NIM during the period are 3.49% and 58.71% respectively. The coefficient of skewness of 0.0013 reveals that the data is positively skewed and the data follows the normal curve. Similarly, the coefficient of kurtosis of 2.5848 implies that the peakedness of the data is not normally distributed.

The table also indicates that TOBINQ of the deposit money banks in Nigeria has a mean value of 0.4961 with standard deviation of 0.0830, signifying that the financial performance in terms of Tobin's Q is 49.61% on average and the performance deviate from both sides of the mean value by 8.30%. The minimum and maximum values of financial performances in term of Tobin's Q during the period are 40.60% and 89.91% respectively. The coefficient of skewness of 2.6141 reveals that the data is positively skewed, that is, the data lies on the right side of the normal curve, and the data did not follow the normal curve. The coefficient of kurtosis of 11.2556 implies that the data has high values above the mean value, that the data is not normally distributed.

The results from table 4.1 indicate that the minimum and maximum values of the audit committee size (AUDIT COMMITTEESIZ) are 4 and 6 members respectively, with the mean value of 5.3619 and standard deviation of 0.6523. This indicates that the AUDIT

COMMITTEESIZ of the sampled banks deviate from both sides of the mean by 60.79%. The skewness coefficient of -0.5228 implies that the data is on the left side of the normal curve, and the data did not follow the normal distribution assumption. Similarly, the kurtosis coefficient of 2.3150 suggests that most of the data are higher than the mean value, and the variable is not normal. The Table also indicates that on average 86.67% of the audit committee members are independent directors (ACIND), from the mean value of 0.8667, with standard deviation of 0.3416 and minimum and maximum values of 0 and 1 respectively. The standard deviation suggests that the data deviate from both sides of the mean value by 34.16%. The coefficient of skewness of -2.1573 reveals that the data is negatively skewed, that is, the data lies on the left side of the normal curve, and the data did not follow the normal curve. Similarly, the coefficient of kurtosis of 5.6538 implies that most of the data have values above the mean value, that the data is not normally distributed.

Table 4.1 shows that 82.86% of the sample banks have financial experts in their audit committees (ACFEX), from the mean value of 0.8286 with standard deviation of 0.3787 and minimum and maximum values of 0 and 1 respectively. The standard deviation suggests that the data deviate from both sides of the mean value by 37.87%. The coefficient of skewness of -1.7436 reveals that the data is negatively skewed, that is, the data lies on the left side of the normal curve, and the data did not follow the normal curve. Similarly, the coefficient of kurtosis of 4.0402 implies that most of the data have values above the mean value, that the data is not normally distributed. The table on the other hand, shows that the average audit committee meeting (ACMET) during the period of the study is 2.6571 times with standard deviation of 0.7048. This implies that the deviation from the mean is 70.48%; the minimum and maximum meetings during the period are 2 and 4 times respectively. The coefficient of skewness of 0.5897 reveals that the data is positively skewed, that is, the data lies on the right

side of the normal curve, and the data did not follow the normal curve. Similarly, the coefficient of kurtosis of 2.1805 implies that most of the data have values above the mean value, that the data is not normally distributed. The table indicates that the average composition of the non-executive/outside directors (BCOMP) of the sample banks during the period is 59.01% from the mean value of 0.5901 with standard deviation of 0.0777. The standard deviation suggests that the data deviate from both sides of the mean value by 7.77%. The minimum board composition is 33.33%, while the maximum BCOMP is 83.33%. The coefficient of skewness of 0.6006 implies that the data is positively skewed, that is, the data lies on the right side of the normal curve, and the data did not follow the normal curve. Similarly, the coefficient of kurtosis of 4.4359 implies that most of the data have values above the mean value, that the data is not normally distributed. Table 4.1 shows that on average 26.88% of the equity share capital of the sample banks is owned by corporate institutions (INSHL), from the mean value of 0.2688 with standard deviation of 0.2026 and minimum and maximum values of 0 and 68.05% respectively. The standard deviation suggests that the data deviate from both sides of the mean value by 20.26%. The coefficient of skewness of 0.1851 reveals that the data is positively skewed, that is, the data lies on the right side of the normal curve, and the data did not follow the normal curve. Similarly, the coefficient of kurtosis of 1.9911 implies that most of the data have values above the mean value, that the data is not normally distributed. Moreover, the results from table 4.1 show that the average firm size (FSIZE) of the sample banks is 27.2 with standard deviation of 1.0038 and the minimum and maximum values of 24 and 29 respectively. The coefficient of skewness of -0.8665 implies that the data is negatively skewed, that is, the data lies on the left side of the normal curve, and the data did not follow the normal curve. Similarly, the coefficient of kurtosis of 3.7883 implies that most of the data have values above the mean value, that the data is not normally distributed

Table 4.2.2: Normalcy test of distribution of response variables

VARIABLES	W	V	Z	P-Values	N
ROA	0.7340	22.875	6.962	0.0000	105
NIM	0.9869	1.131	0.274	0.3921	105
TOBINQ	0.6876	26.865	7.320	0.0000	105
AUDIT	0.9779	1.905	1.434	0.0758	105
COMMITTEESIZ					
ACIND	0.9052	8.155	4.668	0.0000	105
ACFEX	0.9373	5.394	3.749	0.0001	105
ACMET	0.9771	1.967	1.505	0.0662	105
BCOMP	0.9145	7.357	4.439	0.0000	105
INSHL	0.9474	4.526	3.359	0.0004	105
FSIZE	0.9675	2.795	2.286	0.0111	105

Source: STATA Output (Appendix A2)

Table 4.2 reveals results for normalcy of distribution of response variables. Shapiro technique tests the null hypothesis (that the data is normal), that is, the variables came from a normally distributed population. The results from table 4.2 indicate that the data from response variables; ROA, TOBINQ, ACIND, ACFEX, BCOMP, INSHL and FSIZE are not normally distributed, because the P-values are statistically significant at 5% and below (0.0000, 0.0000, 0.0000, 0.0001, 0.0000, 0.0004 and 0.0111 respectively). On the other hand, the data from response variables; NIM, AUDIT COMMITTEESIZ, and ACMET variables are normally distributed because they are not statistically significant at 5% or below levels of significance (0.3921, 0.0758 and 0.0662 respectively). Thus, the null hypothesis (that, the data is normally distributed) is not rejected. Hence, the variables follow the normal distribution assumption of normality.

4.2.1 Correlation Matrix for response variable

The summary of the Pearson Correlation Coefficients of the variables of the study are presented in Table 4.3 as follows;

Table 4.2.3: Correlation Matrix for response variables

Variables	ROA	NIM	TOBINQ	AUDIT	ACIND	ACFEX	ACMET	BCOM	INSHL	FSIZE
				COMMI						
				TTEESIZ						
ROA	1.000									
NIM	0.603 [*]	1.000								
TOBNQ	0.602 [*]	0.638 [*]	1.000							
AUDIT	0.398	0.231 ^{**}	0.621	1.000						
COMMITT										
EESIZ										
ACIND	0.084	0.103	0.099	-0.244 [*]	1.000					
ACFEX	0.442 [*]	0.446 [*]	0.359 [*]	0.074	-0.083	1.000				
ACMET	0.501 [*]	0.721 [*]	0.620 [*]	0.344 [*]	0.202	0.403 [*]	1.000			
BCOMP	0.098	0.037	-0.001	-0.19 ^{**}	-0.038	0.077	-0.031	1.000		
INSHL	-0.009	0.166 ^{***}	0.010	-0.158	-0.107	0.092	-0.073	0.179	1.000	
FSIZE	-0.024	0.078	-0.022	-0.154	-0.074	0.146	0.067	0.572	0.526	1.000

**Correlation is significant at the 1% level (2-tailed).*

***Correlation is significant at the 5% level (2-tailed).*

****Correlation is significant at the 10% level (2-tailed).*

Source: STATA Output (Appendix A3)

Table 4.3 indicates a significant positive relationship between the audit committee size (AUDIT COMMITTEESIZ) and the financial performance (ROA) of the sample banks, from the correlation coefficient of 0.3983, which is statistically significant at 1% level of significance. The result indicates that financial performance increases as the size of the audit committee increases during the period of the study. The result from the table also indicates that there is a positive association between Audit Committee Independence (ACIND) and the Financial Performance (ROA) of the sample banks during the period, from the correlation

coefficient of 0.0843, which is not statistically significant at all levels of significance. Although not statistically significant, the result implies that financial performance improves as the presence of non-executive/independent directors in audit committee of the sample banks increases. Moreover, the table shows a significant positive association between financial performance (ROA) and Audit Committee Financial Expertise (ACFEX) from the correlation coefficient of 0.4418 which is statistically significant at 1% level of significance. This also implies that financial performance during the period improves as the presence of audit committee member that is an expert in accounting and finance increases.

The table on the other hand indicates that there is a significant positive relationship between financial performance (ROA) and the frequency of the audit committee meetings (ACMET), from the correlation coefficient of 0.5009 which is statistically significant at 1% level of significance. This suggests that financial performance increases as holding meetings by the audit committee increases during the period under review. The Table also shows a positive relationship between financial performance (ROA) and the board of directors' composition (BCOMP), from the correlation coefficient of 0.0980, which is not statistically significant at all levels of significance. However, the result suggests that the financial performance increases as the board composition increases during the period covered by the study. The table also shows a negative relationship between financial performance (ROA) and the institutional ownership (INSHL), from the correlation coefficient of -0.0085, which is not statistically significant at all levels of significance. The table on the other hand shows a negative relationship between financial performance (ROA) and the firm size (FSIZE), from the correlation coefficient of -0.0241, which is also not statistically significant at all levels of significance.

Furthermore, the results from Table 4.3 show a significant positive relationship between the audit committee size (AUDIT COMMITTEESIZ) and the financial performance (NIM) of the sample banks, from the correlation coefficient of 0.2312, which is statistically significant at 5% level of significance. The result indicates that financial performance increases as the size of the audit committee increases during the period of the study. The result from the table also indicates that there is a positive association between audit committee independence (ACIND) and the financial performance (NIM) of the sample banks during the period, from the correlation coefficient of 0.1033, which is not statistically significant at all, levels of significance. Although not statistically significant, the result implies that financial performance improves as the presence of non-executive/independent directors in audit committee of the sample banks increases. Moreover, the table shows a significant positive association between financial performance (NIM) and audit committee financial expertise (ACFEX) from the correlation coefficient of 0.4462 which is statistically significant at 1% level of significance. This also suggests that financial performance during the period improves as the presence of audit committee member that is an expert in accounting and finance increases.

Additionally, table 4.3 indicates that there is a significant positive relationship between financial performance (NIM) and the frequency of the audit committee meetings (ACMET), from the correlation coefficient of 0.7206 which is statistically significant at 1% level of significance. This suggests that financial performance increases as holding meetings by the audit committee increases during the period under review. The Table also shows a positive relationship between financial performance (NIM) and the board of directors' composition (BCOMP), from the correlation coefficient of 0.0374, which is not statistically significant at all levels of significance. However, the result suggests that the financial performance

increases as the board composition increases during the period covered by the study. The table also shows a positive relationship between financial performance (NIM) and the institutional ownership (INSHL), from the correlation coefficient of 0.1656, which is not statistically significant at all levels of significance. The table on the other hand shows a negative relationship between financial performance (NIM) and the firm size (FSIZE), from the correlation coefficient of 0.0779, which is also not statistically significant at all, levels of significance.

Moreover, table 4.3 indicates a significant positive relationship between the audit committee size (AUDIT COMMITTEESIZ) and the financial performance (TOBINQ) of the sample banks, from the correlation coefficient of 0.6211, which is statistically significant at 1% level of significance. The result suggests that financial performance increases as the size of the audit committee increase during the period of the study. The result from the table shows that there is a positive association between audit committee independence (ACIND) and the financial performance (TOBINQ) of the sample banks during the period, from the correlation coefficient of 0.0995, which is not statistically significant at all levels of significance. Although not statistically significant, the result implies that financial performance improves as the presence of non-executive/independent directors in audit committee of the sample banks increases. Moreover, the table shows a significant positive association between financial performance (TOBINQ) and audit committee financial expertise (ACFEX) from the correlation coefficient of 0.3589 which is statistically significant at 1% level of significance. This suggests that the financial performance during the period improves as the presence of audit committee member that is expert in accounting and finance increases.

The table also indicates that there is a significant positive relationship between financial performance (TOBINQ) and the frequency of the audit committee meetings (ACMET), from the correlation coefficient of 0.6202 which is statistically significant at 1% level of significance. This suggests that financial performance increases as holding meetings by the audit committee increases during the period under review. Table 4.3 shows a negative relationship between financial performance (TOBINQ) and the board of directors' composition (BCOMP), from the correlation coefficient of -0.0013, which is not statistically significant at all levels of significance. However, the result suggests that the financial performance increases as the board composition decreases during the period covered by the study. The table also shows a positive relationship between financial performance (TOBINQ) and the institutional ownership (INSHL), from the correlation coefficient of 0.0103, which is not statistically significant at all levels of significance. The table on the other hand shows a negative relationship between financial performance (TOBINQ) and the firm size (FSIZE), from the correlation coefficient of -0.0222, which is also not statistically significant at all levels of significance.

4.2.2 Analysis of Regression Results

This section presents and discusses the regression results of all the models of the study. The section begins with the presentation of regression results of model one.

Table 4.2.4: OLS Regression Results: Model One

Variables	Coefficients	t-values	P-values
AUDIT	0.0667	4.14	0.000
COMMITTEESIZ			
ACIND	0.0037	1.89	0.062
ACFEX	0.1517	3.94	0.000
ACMET	0.0548	2.57	0.012
BCOMP	11.6636	2.97	0.004
INSHL	1.7196	1.50	0.137
FSIZE	-2.8122	-2.31	0.023
CONSTANT	1.9339	6.49	0.000
R Square	0.4605		
Adj. R Square	0.4215		
F-Statistic	11.83		0.0000
Hetest: Chi2	0.59		0.4426
Hausman Chi2	9.28		0.2333
Random Effect: Chibar2	0.52		0.2348
Mean VIF	1.54		

Source: STATA Output (Appendix A4, A5, A6, A9 & A10)

Consistent with the requirements of panel data, the study employs Fixed and Random Effects regression models alongside the pooled OLS regression model together with the relevant tests. However, OLS regression technique appears to be the most appropriate for model one of the study, from Hausman specification test and the Breusch and Pagan Lagrangian Multiplier Test for Random Effects. The Hausman specification test suggests that the random effect model is the most appropriate (as indicated by the Chi2 of 9.28 with the p-value of 0.2333). However, a further test between OLS and random effect model suggests that the OLS is the most appropriate for model one, from the Breusch and Pagan Lagrangian Multiplier Test for Random Effects, Chibar2 of 0.52 with p-value of 0.2348, implying that random effect regression model is not the most appropriate model for the study.

Table 4.4 further shows the absence of the problem of heteroskedasticity, as evidence by the Breuch Pagan/Cook-Weisberg Chi2 of 0.59, with p-value of 0.4426; that is, the null hypothesis that the variance in the residuals is constant (homoscedastic) is not rejected.

Similarly, the results from table 4.4 indicate the absence of perfect multicollinearity among the independent variables, because the mean Variance Inflation Factor (VIF) is 1.54, which is less than 10. The table show that the explanatory variables of the study (audit committee size, audit committee independence, audit committee financial expertise, audit committee meetings and the control variables) explained 42.15% of the total variations in the financial performance (return on assets) of the sample deposit banks in Nigeria during the period, from the coefficient of multiple determinations (adjusted R square of 0.4215). Similarly, the results from the table show that the model is fit as indicated by the F-Statistic of 11.83 which is statistically significant at 1% significance level (P-value of 0.0000).

Table 4.4on the other hand, indicates that the size of the audit committee (AUDIT COMMITTEESIZ) of the sample deposit money banks in Nigeria has significant positive effect on the financial performance (ROA) of the banks, from the coefficient of 0.0667 with t-value of 4.14 which is statistically significant at 1% level of significance (p-value of 0.000). This implies that an increase in the audit committee by one member increases financial performance significantly, suggesting that the larger the size of the committee, the higher the profitability. The result from Table 4.4 indicates that the audit committee independence (ACIND) has significant positive effect on the financial performance (ROA) of the banks, from the coefficient of 0.0037 with t-value of 1.89 which is statistically significant at 10% level of significance (p-value of 0.062). This suggests that when the composition of independent non-executive directors in the audit committee is increased by one member, financial performance increases significantly, suggesting that, the higher the composition of the non-executive/outside directors, the higher the financial performance.

Table 4.4 also shows that the audit committee financial expertise (ACFEX) has significant positive effect on the financial performance (ROA) of the banks, from the coefficient of 0.1517 with t-value of 3.94 which is statistically significant at 1% level of significance (p-value of 0.000). This implies that when the committee is increased by a member with accounting and financial knowledge, financial performance increases significantly, suggesting that the higher the composition of financial experts in the audit committees, the higher the financial performance. The results also indicated that the audit committee frequency of meetings (ACMET) of the sample deposit money banks in Nigeria has positive effect on the financial performance (ROA) of the banks, from the coefficient of 0.0548 with t-value of 2.57 which is statistically significant at 5% level of significance (p-value of 0.012). This suggests that the more audit committee hold meetings, financial performance increases significantly, suggesting that the higher meeting frequency of the committee, the higher the financial performance.

The table also indicates that the board composition of the banks (BCOMP) has significant positive effect on the financial performance (ROA), from the coefficient of 11.6636 with t-value of 2.97 which is statistically significant at 1% level of significance (p-value of 0.004). This implies that the composition of non-executive/outside directors in the board has significant influence on the financial performance. The table also shows that the institutional shareholding of the banks (INSHL) has positive effect on the financial performance (ROA), from the coefficient of 1.7196 with t-value of 1.50 which is not statistically significant at all levels of significance (p-value of 0.137). On the other hand, the table indicates that the size of the banks (FSIZE) has significant negative effect on the financial performance (ROA), from the coefficient of -2.8122 with t-value of -2.31 which is statistically significant at 5% level of

significance (p-value of 0.023). This suggests that holding too much assets in the banks reduces profitability.

Table 4.2.5: OLS Regression Results: Model Two

Variables	Coefficients	t-values	P-values
AUDIT	0.0941	7.41	0.000
COMMITTEESIZ			
ACIND	0.0035	2.30	0.024
ACFEX	0.818	2.41	0.018
ACMET	0.0673	3.86	0.000
BCOMP	-1.0977	-1.29	0.200
INSHL	0.0397	1.30	0.196
FSIZE	0.1581	0.71	0.478
CONSTANT	2.0080	5.44	0.000
R Square	0.6256		
Adj. R Square	0.5986		
F-Statistic	23.15		0.0000
Mean VIF	1.54		
Hetest: Chi2	1.42		0.2332
Hausman Chi2	5.75		0.5695
Random Effect: Chibar2	0.59		0.2205

Source: STATA Output (Appendix A6, A11, A12, A15 & A16)

The study employs Fixed and Random Effects regression models alongside the pooled OLS regression model together with the relevant tests for the model two. The tests conducted reveals that OLS regression technique is the most appropriate for model two of the study, from Hausman specification test and the Breusch and Pagan Lagrangian Multiplier Test for Random Effects. The Hausman specification test suggests that the random effect model is the most appropriate (as indicated by the Chi2 of 5.75 with the p-value of 0.5695). On the other hand, a test between OLS and random effect model suggests that the OLS is the most appropriate for model two, from the Breusch and Pagan Lagrangian Multiplier Test for Random Effects, Chibar2 of 0.59 with p-value of 0.2205, implying that random effect regression model is not the most appropriate model for the study.

Table 4.5 also indicates the absence of the problem of heteroskedasticity, as evidence by the Breuch Pagan/Cook-Weisberg Chi2 of 1.42, with p-value of 0.2332; that is, the null hypothesis that the variance in the residuals is constant (homoscedastic) is not rejected. Similarly, the results from table 4.5 indicate the absence of perfect multicollinearity among the independent variables, because the mean Variance Inflation Factor (VIF) is 1.54, which is less than 10. The table shows that the explanatory variables of the study (audit committee size, audit committee independence, audit committee financial expertise, audit committee meetings and the control variables) explained 59.86% of the total variations in the financial performance (net interest margin) of the sample deposit banks in Nigeria during the period, from the coefficient of multiple determinations (adjusted R square of 0.5986). Similarly, the results from the table show that the model is fit as indicated by the F-Statistic of 23.15 which is statistically significant at 1% significance level (P-value of 0.0000).

The results in Table 4.5 show that the size of the audit committee (AUDIT COMMITTEESIZ) of the sample deposit money banks has significant positive impact on the financial performance (NIM) of the sample banks, from the coefficient of 0.0941 with t-value of 7.41 which is statistically significant at 1% level of significance (p-value of 0.000). This suggests that an increase in the audit committee by one member, increases financial performance significantly, suggesting that the larger the size of the committee, the higher the financial performance. The result from Table 4.8 shows that the audit committee independence (ACIND) has significant positive effect on the financial performance (NIM) of the banks, from the coefficient of 0.0035 with t-value of 2.30 which is statistically significant at 5% level of significance (p-value of 0.024). This implies that when the composition of independent non-executive directors in the audit committee is increased by one member,

financial performance increases significantly, suggesting that, the higher the composition of the non-executive/outside directors, the higher the financial performance.

Table 4.5 indicates that the audit committee financial expertise (ACFEX) has significant positive impact on the financial performance (NIM) of the banks, from the coefficient of 0.0818 with t-value of 2.41 which is statistically significant at 5% level of significance (p-value of 0.018). This implies that when the committee is increased by a member with accounting and financial knowledge, financial performance increases significantly, suggesting that the higher the composition of financial experts in the audit committees, the higher the financial performance. The results also indicated that the audit committee frequency of meetings (ACMET) of the sample deposit money banks in Nigeria has significant positive effect on the financial performance (NIM) of the banks, from the coefficient of 0.0673 with t-value of 3.86 which is statistically significant at 1% level of significance (p-value of 0.000). This suggests that the more audit committee hold meetings, the more financial performance increases significantly, suggesting that the higher frequency of meeting of the committee, the higher the financial performance. The table also indicates that the board composition of the banks (BCOMP) has negative effect on the financial performance (NIM), from the coefficient of -1.0977 with t-value of -1.29 which is not statistically significant at all levels of significance (p-value of 0.200). This implies that the composition of non-executive/outside directors in the board has no significant influence on the financial performance. The table also shows that the Institutional Shareholding of the banks (INSHL) has positive effect on the financial performance (NIM), from the coefficient of 0.0397 with t-value of 1.30 which is not statistically significant at all levels of significance (p-value of 0.196). The table indicates that the size of the banks (FSIZE) has positive effect on

the financial performance (NIM), from the coefficient of 0.1581 with t-value of 0.71 which is not statistically significant at all levels of significance (p-value of 0.478).

Table 4.2.6: OLS Regression Results: Model Three

Variables	Coefficients	t-values	P-values
AUDIT	0.1009	8.32	0.000
COMMITTEESIZ			
ACIND	0.0045	3.08	0.003
ACFEX	0.0838	2.89	0.005
ACMET	0.0708	4.42	0.000
BCOMP	7.2329	2.44	0.016
INSHL	2.2622	2.62	0.010
FSIZE	-1.8132	-1.98	0.050
CONSTANT	1.6052	7.15	0.000
R Square	0.6623		
Adj. R Square	0.6379		
F-Statistic	27.18		0.0000
Mean VIF	1.54		
Hetest: Chi2	0.44		0.5072
Hausman Chi2	4.32		0.7422
Random Effect: Chibar2	0.15		0.3483

Source: STATA Output (Appendix A6, A17, A18, A21 & A22)

The results from table 4.6 indicates that OLS regression technique is the most appropriate for model three of the study, from Hausman specification test and the Breusch and Pagan Lagrangian Multiplier Test for Random Effects. The Hausman specification test suggests that the random effect model is the most appropriate (as indicated by the Chi2 of 4.32 with the p-value of 0.7422). On the other hand, a test between OLS and random effect model suggests that the OLS is the most appropriate for model two, from the Breusch and Pagan Lagrangian Multiplier Test for Random Effects, Chibar2 of 0.15 with p-value of 0.3483, implying that random effect regression model is not the most appropriate model for the study.

Furthermore, the table indicates the absence of the problem of heteroskedasticity, as evidence by the Breuch Pagan/Cook-Weisberg Chi2 of 0.44, with p-value of 0.5072; that is, the null hypothesis that the variance in the residuals is constant (homoscedastic) is not rejected. Similarly, the results from table 4.5 indicate the absence of perfect multicollinearity among

the independent variables, because the mean Varince Inflation Factor (VIF) is 1.54, which is less than 10. The table shows that the explanatory variables of the study (audit committee size, audit committee independence, audit committee financial expertise, audit committee meetings and the control variables) explained 63.79% of the total variations in the financial performance (Tobin's Q) of the sample deposit banks in Nigeria during the period, from the coefficient of multiple determinations (adjusted R square of 0.6379). Similarly, the results from the table show that the model is fit as indicated by the F-Statistic of 27.18 which is statistically significant at 1% significance level (P-value of 0.0000).

The results in Table 4.6 indicate that the size of the audit committee (AUDIT COMMITTEESIZ) of the sample deposit money banks has significant positive effect on the financial performance (TOBINQ) of the banks, from the coefficient of 0.1009 with t-value of 8.32 which is statistically significant at 1% level of significance (p-value of 0.000). This implies that an increase in the audit committee by one member, increases financial performance significantly, suggesting that the larger the size of the committee, the higher the profitability. Table 4.6 indicates that the audit committee independence (ACIND) has significant positive effect on the financial performance (TOBINQ) of the banks, from the coefficient of 0.0045 with t-value of 3.08 which is statistically significant at 1% level of significance (p-value of 0.003). This suggests that when the composition of independent non-executive directors in the audit committee is increased by one member, financial performance increases significantly, suggesting that, the higher the composition of the non-executive/outside directors, the higher the financial performance.

Table 4.6 shows that the audit committee financial expertise (ACFEX) has significant positive effect on the financial performance (TOBINQ) of the banks, from the coefficient of

0.0838 with t-value of 2.89 which is statistically significant at 1% level of significance (p-value of 0.005). This implies that when the committee is increased by a member with accounting and financial knowledge, financial performance increases significantly, suggesting that the higher the composition of financial experts in the audit committees, the higher the financial performance. The table indicates that the audit committee frequency of meetings (ACMET) of the sample deposit money banks in Nigeria has significant positive effect on the financial performance (TOBINQ) of the banks, from the coefficient of 0.0708 with t-value of 4.42 which is statistically significant at 1% level of significance (p-value of 0.000). This suggests that the more audit committee hold meetings, the more financial performance increases significantly, suggesting that the higher meeting frequency of the committee, the higher the financial performance. The table also indicates that the board composition of the banks (BCOMP) has significant positive effect on the financial performance (TOBINQ), from the coefficient of 7.2329 with t-value of 2.44 which is statistically significant at 5% level of significance (p-value of 0.016). This implies that the composition of non-executive/outside directors in the board has significant influence on the financial performance. The table also shows that the institutional shareholding of the banks (INSHL) has significant positive effect on the financial performance (TOBINQ), from the coefficient of 2.2622 with t-value of 2.62 which is statistically significant at 1% level of significance (p-value of 0.010). On the other hand, the table indicates that the size of the banks (FSIZE) has significant negative effect on the financial performance (TOBINQ), from the coefficient of -1.8132 with t-value of -1.98 which is statistically significant at 5% level of significance (p-value of 0.050). This suggests that holding too much assets in the banks reduces profitability.

4.3 Presentation and Analysis of qualitative data

This section covers the presentation and the analysis of the qualitative data collected from the respondents. The section begins with the analysis of the total questionnaires distributed and collected from the field.

Table 4.3.1: Distribution of Questionnaire

Region	Distributed	Returned	Percent (%)
Abuja	125	101	35.94
Kaduna	71	50	17.79
Lagos	85	47	16.73
Total	281	198	70.46

Source: Field Survey (2014)

Table 4.7 presents the questionnaire distribution; it shows that a total of 281 questionnaires were distributed to respondents from Abuja, Kaduna and Lagos. The table indicates that 125 questionnaires were distributed to respondents in Abuja, 85 to respondents in Lagos and 71 questionnaires were administered to respondents in Kaduna. A total number of 198 constituting 70.46% of the total questionnaires distributed were filled and returned; 101 (35.94%) from Abuja, 50 (17.79%) from Kaduna and 85 (16.73%) from Lagos. This shows that the response rate is more than the benchmark of 50-60%. And the non response rate of 29.54% is not sufficient to invalidate the outcome of the survey.

Table 4.3.2: Reliability and Validity Test of data

Variables	Statistics
Mean	29.51
Standard Deviation	46.079
Variance	6.788
No. of Items	12
Cronbach's Alpha	0.771
Cronbach's Alpha (Standardized Items)	0.775
N	198

Source: Field Survey (2014)/Appendix A23

The study adopts a more scientific measure of data and measurement reliability and validity test. Cronbach's Alpha is applied to measure the internal consistency and reliability, that is, do all the items in the scale really tap into one construct. The results in table 4.8 show a mean of 29.51 with standard deviation and variance of 6.788 and 46.079 respectively. The Cronbach's Alpha reliability test statistics based of 12 items is 0.771, while the Alpha based on standardized items is 0.775. In the social science research a Cronbach's Alpha greater than 0.70 is considered acceptable. Thus, an Alpha of 0.771 is preferred and considered a good reliability.

Table 4.3.3: Age Group Distribution of the Respondents

Groups	Frequency	Percent (%)
18-24	33	16.7
25-34	97	49.0
35-44	44	22.2
45-54	16	8.1
Over 55	8	4.0

Total	198	100
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Source: Field Survey (2014)

Table 4.9 presents the age distribution of the respondents, the table shows that 49% of the respondents (97 respondents) are between the age of 25-34; 22.2% of the respondents (44 respondents) are between the age of 35-44; 16.7% of the respondents (33 respondents) are between the age of 18-24; 8.1% of the respondents (16 respondents) are between the age of 45-54; 4% of the respondents (8 respondents) are over 55 years old. This implies that majority of the respondents are in their youthful age and in the mid of their carrier. These respondents are expected to provide the study with necessary information relevant for the study.

Table 4.3.4: Educational Background distribution of the Respondents

Qualification	Frequency	Percent (%)
PhD	13	6.6
Masters	44	22.2
BSc/HND	88	44.4
NCE/OND	40	20.2
Others	13	6.6
Total	198	100

Source: Field Survey (2014)

The educational background of the respondents is presented in Table 4.10, the table shows that 44.4% of the respondents, which is 88 respondents hold a Bachelor's Degree/HND; 22.2% of the respondents, which constituted 44 respondents hold Masters degree; 20.2% of the respondents (40 respondents) hold National Certificate of Education and National Diploma; 6.6% of the of the respondents, which is 13 respondents hold a doctoral degree and

another 6.6% of the respondents hold other qualifications. The analyses revealed that majority of the respondents (about 80%) have the sufficient knowledge and experience to read and understand the questions and provide the necessary answers. The study therefore could not face the problem of reading and comprehending the questions as set out in the questionnaires administered.

Table 4.3.5: Status distribution of Respondents

Status	Frequency	Percent (%)
Shareholder/Investor	116	58.6
Bank Staff	82	41.4
Total	198	100

Source: Field Survey (2014)

In view of the fact that there are banking staff that are also shareholders, an effort was made to ascertain their proportion among the respondents. This could aid in the collection of first hand information, since they deal in the banks. Table 4.11 shows that 58.6% of the respondents, which constitutes 116 respondents are shareholders and investors, while 41.4% of the respondents, which constitutes 82 respondents banking staff. This implies that there are respondents who are within the bank and are involved in the day-to-day operations of the banks. The study could benefit from the presence of banking staffs among the respondents.

Table 4.3.6: Distribution of Investments Sector Respondents

Sector	Frequency	Percent (%)
Banking	104	52.5
Non-Banking	94	47.5
Total	198	100

Source: Field Survey (2014)

The study ascertains the proportion of the banks' shareholders in the respondents as it will give the study a ground for collecting information that is more relevant to the subject of the study. Table 4.12 indicates that 52.5% of the respondents, which constitutes 104 respondents, are shareholders of the deposit money banks in Nigeria, and 47.5% of the respondents, which constitute 94 respondents, are shareholders of firms in the other sectors of the economy. This implies that there are respondents who are part of the banks' board of directors and likely audit committee members. The study could benefit from the presence of banks shareholders among the respondents.

Table 4.3.7: Shareholdings Distribution of Respondents

Range	Frequency	Percent (%)
Below 10,000	72	36.4
10,000-50,000	81	40.9
Over 50,000	45	22.7
Total	198	100

Source: Field Survey (2014)

Table 4.13 presents the respondents' shareholdings; the table shows that 36.4% of the respondents (72 respondents) hold shares below 10000 units; 40.9% of the respondents (81 respondents) hold between 10000-50000; 22.7% of the respondents (45 respondents) hold over 50000 shares. This implies that the respondents have substantial interests, which could provide them with the right and a stake in the banks. These respondents are expected to at least attend the AGM be and involved in one way or the other in the operations of their firms. This is important to this study in terms of generating necessary information relevant for the study.

Table 4.3.8: Meeting Attendance distribution of Respondents

Responses	Frequency	Percent (%)
Yes	112	56.6
No	86	43.4
Total	198	100

Source: Field Survey (2014)

Annual general meetings are crucial where the most important activities including the election and appointment of the audit committee members and the board of directors' members are carried out. The studies assess the proportion of the respondents who usually attend the AGM, as this is relevant to the subject of the study. Table 4.14 indicates that 56.6% of the respondents, which constitutes 112 respondents, attend AGM of their firms, and 43.4% of the respondents, which constitute 86 respondents, do not usually attend AGM of their firms. This implies that majority of the respondents attend the AGM and hence they are in good position to give relevant information about audit committee.

Table 4.3.9: Distribution of respondents on Awareness of the Audit Committee Functions

Responses	Frequency	Percent (%)
Yes	141	71.2
No	57	28.8
Total	198	100

Source: Field Survey (2014)

The study also ascertains the proportion of the respondents who are familiar with the activities of the audit committees since this is relevant to the subject of the study. Table 4.15 indicates that 71.2% of the respondents, which constitutes 141 respondents, are aware of the activities of the audit committees; 28.8% of the respondents, which constitute 57 respondents, are not aware of the audit committee functions. This implies that majority of the respondents are familiar with the role and activities of the audit committees and hence they are in good position to give relevant information about audit committee.

Table 4.3.10: Distribution of responses on Membership of Audit Committees

Responses	Frequency	Percent (%)
Yes	25	12.6
No	173	87.4
Total	198	100

Source: Field Survey (2014)

In view of the fact that the respondents are shareholders, an effort was made to ascertain the number of audit committee members among the respondents, as this will aid the collection of first hand information. Table 4.16 indicates that 87.4% of the respondents, which constitutes 173 respondents, are not members of the audit committees, while 12.6% of the respondents, which constitutes 25 respondents, are members of the audit committee. This implies that only 12.6% of the respondents are the members of audit committees.

Table 4.3.11: Distribution of responses on Satisfaction about the Audit Committee

Members

Responses	Frequency	Percent (%)
Yes	23	11.6
No	2	1.0
Total	25	12.6

Source: Field Survey (2014)

The researcher asks the audit committee members whether they are satisfied being audit committee members of their firms both individually and collectively, understand what is expected of them and the committee (e.g. how the committee supports the board in discharging its responsibilities with regard to financial reporting, risk management and control). Table 4.17 indicates that 11.6% of the respondents, which constitutes 23 respondents, are satisfied, while 1% of the respondents, which constituted 2 respondents, are not satisfied. This implies that majority of the respondents are satisfied with the fact that the members of the audit committees understand what is expected of them and the committee in particular. It can be inferred from this that the committee may be effective in enhancing the performance as well as the financial standard compliance.

Table 4.3.12: Distribution of Responses on Audit Committees' Independence

Responses	Frequency	Percent (%)
Strongly Agree	30	15.2
Agree	75	37.9
Neutral	63	31.8
Disagree	20	10.1
Strongly Disagree	10	5.1
Total	198	100

Source: Field Survey (2014)

In review of issues associated with effective audit committee functions, the study asks the respondents to express their opinion about the extent of their agreement with whether “the audit committee members are independent of the organization’s management and exercise their own judgments; voice their own opinions; and act freely from any conflicts of interest”. Table 4.18 indicates that 37.9% of the respondents, which constitutes 75 respondents, agree, while 31.8% of the respondents, which constituted 63 respondents, are indifferent (neither agree nor disagree); 15.2% of the respondents, which constitutes 30 respondents, strongly agree, 10.1% of the respondents, which constitutes 20 respondents, disagree; 5.1% of the respondents, which constitutes 10 respondents, strongly disagree. This implies that majority of the respondents (about 53%) are of the opinion that the members of the audit committees are independent of the management. This could mean that the audit committees can discharge their duties effectively and this in turn could enhance performance and compliance with the rules and regulations.

Table 4.3.13: Distribution of Responses on Audit Committee Members’ Skills and Experience

Responses	Frequency	Percent (%)
Strongly Agree	25	12.6
Agree	77	38.9
Neutral	70	35.4
Disagree	10	5.1
Strongly Disagree	16	8.1
Total	198	100

Source: Field Survey (2014)

Adequate skills and experience are also a component associated with effective audit committee functions, the respondents are required to express their opinion about the extent of their agreement with whether “Audit committee members, as a whole, have sufficient skills, experience, time and resources to undertake their duties”. Table 4.19 indicates that 38.9% of the respondents, which constitutes 77 respondents, agree, 35.4% of the respondents, which constitutes 70 respondents, are indifferent (neither agree nor disagree); 12.6% of the respondents, which constitutes 25 respondents, strongly agree, 8.1% of the respondents, which constitutes 16 respondents, strongly disagree; 5.1% of the respondents, which constitutes 10 respondents disagreed, This implies that majority of the respondents (about 51%) are of the opinion that the members of the audit committees have sufficient skills and experience to discharge their duties. It can be inferred that the audit committees can discharge their duties effectively and in turn ensure high compliance with financial standard, enhance performance and compliance with the rules and regulations.

Table 4.3.14: Distribution of Responses on Audit Committee and Quality of Management Decisions

Responses	Frequency	Percent (%)
Strongly Agree	40	20.2
Agree	85	42.9
Neutral	25	12.6
Disagree	38	19.2
Strongly Disagree	10	5.1
Total	198	100

Source: Field Survey (2014)

Audit committee discussion with the management is also a component associated with effective audit committee functions, the respondents are required to express their opinion about the extent of their agreement with whether “Audit committees’ discussions enhance the quality of managements’ decision making, by engaging those reporting to the committee in dialogue that stimulates and enhances their thinking and performance.” The results in Table 4.20 show that 42.9% of the respondents, which constitutes 85 respondents, agree, 20.2% of the respondents, which constitutes 40 respondents, strongly agree; 19.2% of the respondents, which constitutes 38 respondents, disagree, 12.6% of the respondents, which constitutes 25 respondents, are neutral (neither agree nor disagree); 5.1% of the respondents, which constitutes 10 respondents, strongly disagree, This also suggests that majority of the respondents (about 63%) are of the opinion that the Audit committees’ discussions enhance the quality of managements’ decision making. It can be inferred from this that audit committees can influence compliance with the financial standards and improve investors confidence in return.

Table 4.3.15: Distribution of Responses on Audit Committee Meetings Enhancing Effectiveness

Responses	Frequency	Percent (%)
Strongly Agree	50	25.3
Agree	90	45.5
Neutral	30	15.2
Disagree	10	5.1
Strongly Disagree	18	9.1
Total	198	100

Source: Field Survey (2014)

Meetings of the Audit committees' members is also a component associated with effective audit committee functions; the respondents are asked to express their opinion about the extent of their agreement with whether "Audit committee's meeting arrangements (e.g. frequency, timing, duration, venue and format) enhance its effectiveness". The results in Table 4.21 show that 45.5% of the respondents, which constitutes 90 respondents, agree, 25.3% of the respondents, which constitutes 50 respondents, strongly agree; 15.2% of the respondents, which constitutes 30 respondents, are indifferent (neither agree nor disagree), 9.1% of the respondents, which constitutes 18 respondents, strongly disagree; 5.1% of the respondents, which constitutes 10 respondents, disagree. This implies that majority of the respondents (about 70.8%) are of the opinion that the Audit committee's meetings enhance the effectiveness of the committee. It is therefore evident that audit committees can influence performance of the banks.

Table 4.3.16: Distribution of Responses on Follow up Actions arising from Audit Committee Meetings

Responses	Frequency	Percent (%)
Strongly Agree	10	5.1
Agree	95	48.0
Neutral	30	15.2
Disagree	53	26.8
Strongly Disagree	10	5.1
Total	198	100

Source: Field Survey (2014)

Follow up actions from the committee meetings is associated with effective audit committee functions; the respondents are asked to express their opinion about the extent of their agreement with whether “Outstanding actions arising from audit committee meetings are properly followed up”. Table 4.22 shows that 48% of the respondents, which constitutes 95 respondents, agree; while 26.8% of the respondents, which constitutes 53 respondents, disagree; 15.2% of the respondents, which constitutes 30 respondents, are indifferent (neither agree nor disagree), 5.1% of the respondents, which constitutes 10 respondents, strongly disagree; 5.1% of the respondents, which constitutes 10 respondents, strongly agree, This implies that majority of the respondents (about 53.1%) are of the opinion that outstanding actions arising from audit committee meetings are properly followed up. This could improve the compliances and operational standards of the banks which influence performance as a whole.

Table 4.3.17: Distribution of Responses on Audit Committee Ensuring Compliance with the Laws

Responses	Frequency	Percent (%)
Strongly Agree	60	30.3
Agree	98	49.5
Neutral	22	11.1
Disagree	10	5.1
Strongly Disagree	8	4.0
Total	198	100

Source: Field Survey (2014)

Effective audit committee functions cover the internal and external audit with regard to compliances with the laws, the study asked the respondents to express their opinion about the extent of their agreement with whether “Audit committee has taken appropriate steps to ensure internal and external audit cooperate appropriately to ensure the completeness of assurance coverage and compliance with laws”. Table 4.23 indicates that 49.5% of the respondents, which constitutes 98 respondents, agree, while 30.3% of the respondents, which constitutes 60 respondents, strongly agree; 11.1% of the respondents, which constitutes 22 respondents, are neutral (they neither agree nor disagree); 5.1% of the respondents, which constituted 10 respondents, disagree 4.0% of the respondents, which constitutes 8 respondents, strongly disagree. This implies that majority of the respondents (about 79.8%) are of the opinion that the audit committee has taken appropriate steps to ensure internal and external audit cooperate appropriately to ensure the completeness of assurance coverage and compliance with laws. This could mean that the audit committees can improve compliance with the rules and regulations.

Table 4.3.18: Distribution of Responses on Audit Committee Understanding and Approval of Management Bias

Responses	Frequency	Percent (%)
Strongly Agree	18	9.1
Agree	94	47.5
Neutral	56	28.3
Disagree	5	2.5
Strongly Disagree	25	12.6
Total	198	100

Source: Field Survey (2014)

The level of management bias in the transaction, judgment and decision is also a function of audit committees; the respondents are asked to express their opinion about the extent of their agreement with whether “Audit committee understands and approves the degree of management bias inherent within the financial statements and other documents within its remit”. The results in Table 4.24 show that 47.5% of the respondents, which constitutes 94 respondents, agree; 28.3% of the respondents, which constitutes 56 respondents, are indifferent (neither agree nor disagree); 12.6% of the respondents, which constitutes 25 respondents, strongly disagree); 9.1% of the respondents, which constitutes 18 respondents, strongly agree; 2.5% of the respondents, which constitutes 5 respondents, disagree, This implies that majority of the respondents (about 56.6%) are of the opinion that the Audit committee understands and approves the degree of management bias inherent within the financial statements and other documents within its remit. It is therefore evident that the audit committees can influence performance and compliance with the rules and regulations of the banks.

Table 4.3.19: Distribution of Responses on Audit Committee Providing Oversight over Financial and Internal Control

Responses	Frequency	Percent (%)
Strongly Agree	63	31.8
Agree	99	50.0
Neutral	10	5.1
Disagree	16	8.1
Strongly Disagree	10	5.1
Total	198	100

Source: Field Survey (2014)

Providing oversight over the internal financial controls and the wider aspects of the internal control system are integral part of audit committee functions; the respondents are asked to express their opinion about the extent of their agreement with whether “Audit committee is providing oversight over internal financial controls; the wider aspects of internal control; and risk management systems”. Table 4.25 shows that 50% of the respondents, which constitutes 99 respondents, agree; while 31.8% of the respondents, which constitutes 63 respondents, strongly agree; 8.1% of the respondents, which constitutes 16 respondents, disagree; 5.1% of the respondents, which constitutes 10 respondents, are indifferent (neither agree nor disagree); another 5.1% of the respondents, which constitutes 10 respondents, strongly agree, This implies about 81.8% of the respondents are of the opinion that Audit committee is providing oversight over internal financial controls; the wider aspects of internal control; and risk management systems. This has a direct effect on the performance and could improve the compliances and operational standards of the banks.

Table 4.3.20: Distribution of Responses on Audit Committee Ensuring Objectivity/Independence of External Auditor

Responses	Frequency	Percent (%)
Strongly Agree	15	7.6
Agree	87	43.9
Neutral	53	26.8
Disagree	35	17.7
Strongly Disagree	8	4.0
Total	198	100

Source: Field Survey (2014)

Independence and objectivity of the external audit complement the effectiveness of the audit committee. Therefore, the respondents are asked to express their opinion about the extent of their agreement with whether “Audit committee has taken the appropriate steps to ensure the independence and objectivity of the external auditor is not compromised in any way”. Table 4.26 shows that 43.9% of the respondents, which constitutes 87 respondents, agree; while 26.8% of the respondents, which constitutes 53 respondents, are indifferent (neither agree nor disagree); 17.7% of the respondents, which constitutes 35 respondents, disagree; 7.6% of the respondents, which constitutes 15 respondents, strongly agree; 4.0% of the respondents, which constitutes 8 respondents, strongly disagree. This implies about 51.5% of the respondents are of the opinion that Audit committee has taken the appropriate steps to ensure the independence and objectivity of the external auditor is not compromised in any way. This has direct effect on the compliances with the financial standards and laws in the banks.

Table 4.3.21: Distribution of Responses on Audit Committee and Accounting and Audit Judgment and Errors

Responses	Frequency	Percent (%)
Strongly Agree	33	16.7
Agree	97	49.0
Neutral	45	22.7
Disagree	15	7.6
Strongly Disagree	8	4.0
Total	198	100

Source: Field Survey (2014)

Dialogue regarding key accounting and audit judgements together with the level of errors with the external auditor affect the audit committee effectiveness. The respondents are required to express their opinion about the extent of their agreement with whether “Audit committee has an appropriate dialogue with the external auditor regarding the key accounting and audit judgments, and the levels of errors identified during the audit”. The results in Table 4.27 show that 49.0% of the respondents, which constitutes 97 respondents, agree; 22.7% of the respondents, which constitutes 45 respondents, are indifferent (neither agree nor disagree); 16.7% of the respondents, which constitutes 33 respondents, strongly agree; 7.6% of the respondents, which constitutes 15 respondents, disagree; 4% of the respondents, which constitutes 8 respondents, strongly disagree, This implies that majority of the respondents (about 65.7%) are of the opinion that the Audit committee has an appropriate dialogue with the external auditor regarding key accounting and audit judgments, and the levels of errors identified during the audit. It is therefore evident that the audit committees can influence performance and compliance with the rules and regulations of the banks.

Table 4.3.22: Distribution of Responses on Audit Committee Ensuring Management Responds to Enquires

Responses	Frequency	Percent (%)
Strongly Agree	27	13.6
Agree	83	41.9
Neutral	65	32.8
Disagree	10	5.1
Strongly Disagree	13	6.6
Total	198	100

Source: Field Survey (2014)

Management response to enquiries and recommendations from the external auditors is an integral aspect of the effectiveness of audit committee. Therefore, the respondents are asked to express their opinion about the extent of their agreement with whether “Audit committee takes appropriate steps to ensure management respond to the external auditor’s enquiries and recommendations in a timely and fitting manner”. Table 4.28 shows that 41.9% of the respondents, which constitutes 83 respondents, agree; while 32.8% of the respondents, which constitutes 65 respondents, are indifferent (neither agree nor disagree); 13.6% of the respondents, which constitutes 27 respondents, strongly agree; on the other hand, 6.6% of the respondents, which constitutes 13 respondents, strongly disagree; 5.1% of the respondents, which constitutes 10 respondents, disagree. This implies that about 65.5% of the respondents are of the opinion that Audit committee takes appropriate steps to ensure management respond to the external auditor’s enquiries and recommendations in a timely and fitting manner. This has direct effect on the compliances with the financial standards and laws in the banks, which affect performance significantly.

Table 4.3.23: Distribution of Responses on Audit Committee’s Impact on Financial Standard Compliance

Responses	Frequency	Percent (%)
Strongly Agree	39	19.7
Agree	92	46.5
Neutral	39	19.7
Disagree	18	9.1
Strongly Disagree	10	5.1
Total	198	100

Source: Field Survey (2014)

One of the research questions of this study is “To what extent do audit committees’ functions influence the financial standard compliance of listed deposit money banks in Nigeria?” The respondents are required to express their opinion about the extent of their agreement with whether “Audit committees’ functions have significant impact on the financial standards compliance of listed deposit money banks in Nigeria.” The results in Table 4.29 show that 46.5% of the respondents, which constitutes 92 respondents, agree, 19.7% of the respondents, which constitutes 39 respondents, strongly agree; another 19.7% of the respondents, which constitutes 39 respondents, neither agree nor disagree; 9.1% of the respondents, which constitutes 18 respondents, disagree; 5.1% of the respondents, which constitutes 10 respondents, strongly disagree. This implies that 66.2% of the respondents are of the opinion that Audit committees’ functions have significant impact on the financial standards compliance of listed deposit money banks in Nigeria. It can be inferred from this that the audit committees influence compliance with the financial standards and improve performances.

The interviews conducted with some officers of the banks also testify that the audit committee of their banks ensures compliance with relevant rules, regulations and financial standards. It also revealed that the committee assesses whether there is adequate oversight, including management controls over the approval, monitoring, and accounting for transactions, of areas of historical complexity with respect to the financial statements, disclosures and other reported information. Similarly, the interview revealed that the committee holds meeting more than once during a year, and the audit committee members have sufficient skills, experience, time and resources to undertake their duties.

Table 4.3.24: Distribution of Responses on Audit Committee’s Impact on Investors’ Confidence

Responses	Frequency	Percent (%)
Strongly Agree	41	20.7
Agree	80	40.4
Neutral	42	21.2
Disagree	22	11.1
Strongly Disagree	13	6.6
Total	198	100

Source: Field Survey (2014)

Another research question of this study is “To what extent do audit committees’ functions affect the investors’ confidence in the listed deposit money banks in Nigeria?” The respondents are required to express their opinion about the extent of their agreement with whether “Audit committees’ functions have significant impact on the investors’ confidence of listed deposit money banks in Nigeria.” The results in Table 4.30 indicates that 40.4% of the

respondents, which constitutes 80 respondents, agree, 21.2% of the respondents, which constitutes 42 respondents, neither agree nor disagree; 20.7% of the respondents, which constitutes 41 respondents, strongly agree; 11.1% of the respondents, which constitutes 22 respondents, disagree; 6.6% of the respondents, which constitutes 13 respondents, strongly disagree, This implies that 61.1% of the respondents are of the opinion that Audit committees' functions have significant impact on the investors' confidence of listed deposit money banks in Nigeria.

4.4 Hypotheses Testing

The hypotheses formulated in this study are tested and analyzed in this section. The section begins with the hypotheses one to four (H_{01} to H_{04}) quantitative data and then followed by the analysis of the hypotheses five and six (H_{05} to H_{06}) based on the qualitative data collected.

4.4.1 Audit Committee Independence and Financial Performance

Hypothesis one (H_{01}), states that Audit committees' independence has no significant impact on the performance of listed deposit money banks in Nigeria. It is formulated to examine the impact of audit committee independence on the financial performance (which is proxy by return on assets, net interest margin and Tobins'q ratio). The results from three models of the study as presented in Table 4.31 are used to test the hypothesis.

Table 4.4.1: Distribution of Regression Coefficients data

Financial Performance	Coefficients	t-values	p-values
ROA	0.0037	1.89	0.062
NIM	0.0035	2.30	0.024
TOBINQ	0.0045	3.08	0.003

Source: Tables 4.7, 4.8 & 4.9

Table 4.31 shows that the audit committee independence has significant positive impact on the financial performance (returns on assets) of the banks, from the coefficient of 0.0037 with

t-value of 1.89 which is statistically significant at 10% level of significance (p-value of 0.062). The table on the other hand indicates that the audit committee independence has significant positive impact on the financial performance (net interest margin) of the banks, from the coefficient of 0.0035 with t-value of 2.30 which is statistically significant at 5% level of significance (p-value of 0.024). Table 4.31 indicates that the audit committee independence has significant positive impact on the financial performance (Tobin's Q ratio) of the banks, from the coefficient of 0.0045 with t-value of 3.08 which is statistically significant at 1% level of significance (p-value of 0.003). The results of all the three models imply that the independence of the audit committee significantly improves the financial performance of the deposit money banks during the period of the study (at 10%, 5% and 1% significance levels). Based on these evidences, the study rejects the null hypothesis one (H_{01}), which states that audit committee independence has no significant impact on the performance of Listed Deposit Money Banks in Nigeria. The study infers that the independence of the audit committee has significant positive influence on the performance of deposit money banks in Nigeria.

4.4.2 Audit Committee Size and Financial Performance

Hypothesis two (H_{02}), states that Audit committees' size has no significant impact on the performance of listed deposit money banks in Nigeria. It is tested using the three models of the study (return on assets, net interest margin and Tobin's Q ratio). The results from the models of the study are presented in Table 4.32.

Table 4.4.2: Distribution of Regression Coefficients data

Financial Performance	Coefficients	t-values	p-values
ROA	0.0667	4.14	0.000
NIM	0.0941	7.41	0.000
TOBINQ	0.1009	8.32	0.000

Source: Tables 4.5, 4.6& 4.7

The regression results in Table 4.32 indicate that the audit committee size has significant positive impact on the financial performance (returns on assets) of the sample banks, from the coefficient of 0.0667 with t-value of 4.14 which is statistically significant at 1% level of significance (p-value of 0.000). The table also indicates that the audit committee size has significant positive impact on the financial performance (net interest margin) of the banks, from the coefficient of 0.00941 with t-value of 7.41 which is statistically significant at 1% level of significance (p-value of 0.000). Moreover, Table 4.32 indicates that the audit committee size has significant positive impact on the financial performance (Tobin's Q) of the banks, from the coefficient of 0.1009 with t-value of 8.32 which is statistically significant at 1% level of significance (p-value of 0.000). The results of all the three models imply that the size of the audit committee significantly improves the financial performance of the deposit money banks during the period of the study (at 1% significance levels). Based on these evidences, the study rejected the null hypothesis one (H_{01}), which states that audit committee size has no significant impact on the performance of Listed Deposit Money Banks in Nigeria. The study infers that the size of the audit committee has significant positive influence on the performance of deposit money banks in Nigeria.

4.4.3 Audit Committee Financial Expertise and Financial Performance

Hypothesis three (H_{03}), states that Audit committees' financial expertise has no significant impact on the performance of listed deposit money banks in Nigeria. Using the three models of the study (return on assets, net interest margin and Tobin's Q ratio).The results from the models are presented as follows;

Table 4.4.3: Distribution of Regression Coefficients of data

Financial Performance	Coefficients	t-values	p-values
ROA	0.1517	3.94	0.000
NIM	0.8180	2.41	0.018
TOBINQ	0.0838	2.89	0.005

Source: Tables 4.4, 4.5& 4.6

Table 4.33 shows that the audit committee financial expertise has significant positive impact on the financial performance (returns on assets) of the sample banks, from the coefficient of 0.1517 with t-value of 3.94 which is statistically significant at 1% level of significance (p-value of 0.000). The table also indicates that the audit committee financial expertise has significant positive impact on the financial performance (net interest margin) of the banks, from the coefficient of 0.8180 with t-value of 2.41 which is statistically significant at 5% level of significance (p-value of 0.018). The table also indicates that the audit committee financial expertise has significant positive impact on the financial performance (Tobin's Q ratio) of the banks, from the coefficient of 0.0838 with t-value of 2.89 which is statistically significant at 1% level of significance (p-value of 0.005). The results from the models imply that the financial expertise of the audit committee significantly improves the financial performance of the deposit money banks during the period of the study (at 1%, 5% and 1%

significance levels). Based on these evidences, the study rejects the null hypothesis three (H_{03}), which states that audit committee financial expertise has no significant impact on the performance of Listed Deposit Money Banks in Nigeria. The study infers that the financial expertise of the audit committee has significant positive influence on the performance of deposit money banks in Nigeria.

4.4.4 Audit Committee Meetings and Financial Performance

Hypothesis four of the study is tested using the models of the study (return on assets, net interest margin and Tobin's Q ratio). The results from the models are presented in Table 4.34 as follows;

Table 4.4.4: Distribution of Regression Coefficients of data

Financial Performance	Coefficients	t-values	p-values
ROA	0.0548	2.57	0.012
NIM	0.0673	3.86	0.000
TOBINQ	0.0708	4.42	0.000

Source: Table 4.4, 4.5 & 4.6

The results from Table 4.34 indicates that the audit committee meetings have significant positive impact on the financial performance (returns on assets) of the sample banks, from the coefficient of 0.0548 with t-value of 2.57 which is statistically significant at 5% level of significance (p-value of 0.012). The table also indicates that the audit committee meetings have significant positive impact on the financial performance (net interest margin) of the banks, from the coefficient of 0.0673 with t-value of 3.86 which is statistically significant at 1% level of significance (p-value of 0.000). The table also indicates that the audit committee meetings have significant positive impact on the financial performance (Tobin's Q ratio) of

the banks from the coefficient of 0.0708 with t-value of 4.42 which is statistically significant at 1% level of significance (p-value of 0.000). The results from the models imply that the meeting frequency of the audit committee significantly improves the financial performance of the deposit money banks during the period of the study (at 5%, 1% and 1% significance levels). Based on these evidences, the study rejects the null hypothesis four (H_{04}), which states that audit committee meetings have no significant impact on the performance of Listed Deposit Money Banks in Nigeria. The study infers that the meetings frequency of the audit committee has significant positive influence on the performance of deposit money banks in Nigeria.

4.4.5 Audit Committee Meetings and Financial Standard Compliance

Hypothesis five of the study is tested using the responses from the survey conducted. The results employed for the tests are presented in Table 4.34 as follows;

Table 4.4.5: Kendall's (W) Test Result of data

Responses	Mean Ranks	Variables	Test Statistics
Strongly Agree	3.70	Kendall's W	0.489
Agree	4.10	Chi Square	9.778
Neutral	3.30	Df	4
Disagree	2.40	Asymp. Sig (P-Value)	0.044
Strongly Disagree	1.50	N	5

Source: Appendix A24

The data used in testing hypothesis five is derived from answers of the respondents about their agreement with question 15, "audit committees' functions have significant impact on the financial standards compliance of listed deposit money banks in Nigeria. The results in table

4.34 indicated that respondents who agreed are ranked first, those who strongly agreed are ranked second, and those who neither agreed nor disagreed are ranked third. Those who disagreed and strongly disagreed are ranked fourth and last respectively. The test statistics on the other hand show a Kendall's (W) coefficient of 0.489 which is statistically significant at 5% level of significance (p-value of 0.044). Kendall (W) measures the extent of agreement about a situation using a scale ranging from 0 to 1, from lack of agreements to strong agreement. In this study, the coefficient of 0.489 indicates a fair agreement among the respondents that audit committees' functions have significant impact on the financial standards compliance of listed deposit money banks in Nigeria, which is statistically significant at 95% confidence level. Based on this evidence, the study rejects the null hypothesis five (H_{05}), which states that Audit committees' functions have no significant impact on the financial standards compliance of listed deposit money banks in Nigeria. The study therefore infers that the audit committees' functions have significant influence on the financial standard compliance of deposit money banks in Nigeria.

4.4.6 Audit Committee Meetings and Investors' Confidence

Hypothesis six of the study is tested using the responses from the survey conducted. The results employed for the tests are presented in Table 4.35 as follows;

Table 4.4.6: Kendall's (W) Test Result of data

Responses	Mean Ranks	Variables	Test Statistics
Strongly Agree	3.20	Kendall's Coefficient	0.712
Agree	4.90	Chi Square	14.238
Neutral	3.00	Df	4
Disagree	2.20	Asymp. Sig (P-Value)	0.007

Strongly Disagree	1.70	N	5
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Source: Appendix A25

The data used in testing hypothesis six is derived from answers of the respondents about their agreement with question 16, “Audit committees’ functions have significant impact on the investors’ confidence of listed deposit money banks in Nigeria. The result in table 4.35 indicates that respondents who agreed are ranked first, those who strongly agreed are ranked second, and those who neither agreed nor disagreed are ranked third. Those who disagreed and strongly disagreed are ranked fourth and last respectively. The test statistics on the other hand shows a Kendall’s (W) coefficient of 0.712 which is statistically significant at 1% level of significance (p-value of 0.007). Kendall (W) measures the extent of agreement about a situation using a scale ranging from 0 to 1, from lack of agreement to strong agreement. In this study, the coefficient of 0.712 indicates a strong agreement among the respondents that audit committees’ functions have significant impact on the investors’ confidence of listed deposit money banks in Nigeria, which is statistically significant at 99% confidence level. Based on this evidence, the study rejects the null hypothesis six (H_{06}), which states that Audit committees’ functions have no significant impact on the investors’ confidence of listed deposit money banks in Nigeria. The study therefore infers that the audit committees’ functions have significant influence on the investors’ confidence of deposit money banks in Nigeria.

4.5 Discussion of Major Findings

The study found a strong significant positive relationship between audit committee and performance of deposit money banks in Nigeria. The findings from the study found that the audit committee variables of the study (audit committee size, audit committee independence, audit committee financial expertise, audit committee meetings and the control variables)

accounted for 42.15% of the total variations in the financial performance (measured by returns on assets); and 59.86% of the financial performance (measured by net interest margin); and 63.79% of the financial performance (measured by Tobin's Q ratio) of the sample deposit banks in Nigeria during the period covered by the study. The study also found that the size of the banks (FSIZE) has significant negative effect on the financial performance (ROA), from the coefficient of -2.8122 with t-value of -2.31 which is statistically significant at 5% level of significance (p-value of 0.023). This suggests that holding too much assets in the banks reduces profitability.

The study after controlling for firm size, board of directors and institutional ownership in all cases found that the independence of the audit committee has significant positive impact on the financial performances (ROA, NIM and Tobin's Q ratio) of the banks. That is, the audit committees' independence improves the financial performance of the deposit money banks during the period of the study as independent non-executive directors in the audit committee is increased by one member, financial performance increases significantly. This finding is in line with those of Hassan (2013), García-Meca and Sánchez-Ballesta (2009), Bukit and Iskandar (2009), Abbott *et al.*, (2000), Zhou and Chen (2004), Saatet *al.*, (2012), Stephen *et al.*, (2014), Bouaziz (2012), and is inconsistent with those of Hundal (2013), and Ame (2013).

The study also found that the size of the audit committees significantly improves the financial performance of the deposit money banks during the period of the study; that is, the audit committees' size has positively impacted on the financial performance of the banks as an increase in the audit committee by one member increases financial performance significantly. This finding is inconsistent with those of Stephen *et al.*, (2014), Ali *et al.*, (2012), Inaamet *al.*, (2012), Abbott *et al.*, (2000); and the finding support those of Ojulari

(2012), Bouaziz (2012), Aldamen *et al.*, (2011) Zhou and Chen (2004), Cornett *et al.*, (2010), and Sharma *et al.*, (2009)

The study found that the financial expertise of the audit committee significantly improves the financial performance of the deposit money banks during the period of the study, as indicated by the significant positive relationship. The study found that financial performance during the period improves as the presence of audit committee member that is an expert in accounting and finance increases. The finding is inconsistent with the findings of Ame (2013), Thoopsamut (2008); and supports the findings of Krishnan and Parsons (2008), Dhaliwal *et al.*, (2007), Krishnan and Parsons (2008), Bouaziz (2012), Defondet *et al.*, (2005), and Agrawal and Chadha (2005).

The study also found that the meeting frequency of the audit committee has significant positive impact on the financial performance of the deposit money banks during the period of the study as audit committee hold meetings, financial performance increases significantly, suggesting that the higher meeting frequency of the committee, the higher the financial performance. This finding support the findings of Abbott *et al.* (2000), Zhou and Chen (2004), Cohen *et al.*, (2014), Sharma *et al.*, (2009), and Hassan (2013); and the finding contradicts the findings of Xie *et al.*, (2001), Thoopsamut (2008), Stephen *et al.* (2014), and Saatet *et al.*, (2012). The study also found that the audit committees' functions have significant influence on the financial standard compliance of deposit money banks in Nigeria. The audit committees' functions also have significant influence on the investors' confidence of deposit money banks in Nigeria as the respondents are satisfied with the fact that the members of the audit committees understand what is expected of them and the committee in particular.

4.6 Policy Implications of the Findings

The findings from this study have important policy implications for decisions making. For instance, the findings imply that effective audit committee in the deposit money banks in Nigeria could mitigate the crises of confidence in the sector by enhancing financial standard compliance and improve financial performance positions of the banks. The findings also imply that an independent audit committee with sufficient members and frequent meetings could improve the operational capabilities and profitability of the banks. It also implies that the presence of members with financial expertise in the audit committees is relevant in the effectiveness of the audit committees with regard to financial performances. The findings imply that audit committees are critical component of corporate governance that ensures compliances with the laws and improving performance. The researcher therefore recommends that efforts should be made in creating an environment that would improve the sustainability of audit committee not only on publicly quoted companies but be extended to private companies for entronement of good corporate governance practices.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Audit committee is an integral part of corporate governance that involves the evaluation of the system, processes, procedures and rules governing the operations and reporting the state of affairs to the stakeholders. Therefore, the code of corporate governance mandated an effective and efficient audit committee in the board of every bank. It is required that all the members of the audit committee should be non-executive directors and ordinary shareholders appointed at the annual general meeting. This study evaluates the impact of audit committee on the performance of listed deposit money banks in Nigeria. The specific objectives of the study are to evaluate the impact of components of audit committee (size, independence, meetings and financial expertise) on return on assets of listed Deposit Money Banks in Nigeria, evaluate the impact of components of audit committee (size, independence, meetings and financial expertise) on net Interest Margin of listed Deposit Money Banks in Nigeria, evaluate the impact of components of audit committee (size, independence, meetings and financial expertise) on the Tobin's Q of listed Deposit Money Banks in Nigeria, evaluate the impact of components of audit committee (size, independence, meetings and financial expertise) on financial standard compliance of listed deposit money banks in Nigeria and evaluate the impact of components of audit committee (size, independence, meetings and financial expertise) on investors' confidence of Deposit Money Banks in Nigeria

The study covers all the deposit money banks listed on the floor of Nigerian Stock Exchange (NSE) Market as at 31st December, 2013 using data for period of seven years (7) years (2007-

2013). The study employs mixed research method, that is, qualitative and quantitative research methods. The study adopts correlation research design for the quantitative aspect, while descriptive survey research design was used for the qualitative aspect. Panel regression technique of data analysis and the Kendall's coefficient of concordance were used in the analysis of the data collected. The study found that audit committee has significant positive relationship with the performance of deposit money banks in Nigeria during the period under review. Specifically, the study found that after controlling for bank size, institutional ownership and corporate board, the audit committee independence has significant positive impact on the financial performance (returns on assets, net interest margin and Tobin's Q ratio) of the banks. This suggests that the independence of the audit committee significantly improves the financial performance of the deposit money banks during the period of the study. The study also found that the size of the audit committee has significant positive impact on the financial performance (returns on assets, net interest margin and Tobin's Q ratio) of the sample banks, suggesting that, the size of the audit committee significantly improves the financial performance of the deposit money banks during the period of the study.

The study also found that audit committee financial expertise has significant positive impact on the financial performance (returns on assets, net interest margin and Tobin's Q ratio) of the sample banks, suggesting that, the presence of members with financial expertise in the audit committee significantly improves the financial performance of the deposit money banks during the period of the study. Similarly, the findings show that audit committee meetings have significant positive impact on the financial performance (returns on assets, net interest margin and Tobin's Q ratio) of the sample banks, suggesting that, the frequency of meetings of the audit committee significantly improves the financial performance of the deposit money

banks during the period of the study. The study also found that audit committees' functions have significant impact on the financial standards compliance of listed deposit money banks in Nigeria. That is, audit committees' functions have significantly influenced the financial standard compliance of deposit money banks in Nigeria during the period under review. The study found that audit committees' functions have significant impact on the investors' confidence of listed deposit money banks in Nigeria that audit committees' functions have significantly impact the investors' confidence of deposit money banks in Nigeria.

5.2 Conclusions

The study concludes that there is a significant positive relationship between the components of audit committees (size, independence, meetings and financial expertise) and return on assets, Net Interest, Tobin's Q of listed Deposit Money Banks in Nigeria. In particular, the study concludes that the independence of the audit committee has significant positive impact on the financial performances of banks in Nigeria. The study also concludes that the size of the audit committees has significant positive impact on the financial performance of deposit money banks in Nigeria. Expertise of the audit committee has significant positive impact on the financial performance of deposit money banks in Nigeria during the period of the study. Also, the study concludes that the meeting frequency of the audit committee has significant positive impact on the financial performance of the deposit money banks during the period. The study concludes that the audit committees' functions have significant impact on the financial standard compliance of deposit money banks in Nigeria and audit committees' functions have significant impact on investors' confidence of deposit money banks in Nigeria.

5.3 Recommendations

The researcher recommends that:

- i. Efforts should be made in creating environment that would improve the sustainability of audit committee not only in publicly quoted companies but be extended to private companies for entronement of good corporate governance practices
- ii. Regulatory bodies should provide guidelines on minimum requirement for Board size, number of experts, number and timing of meetings as well as empowering the share holder Associations to be active and report compliance. The regulatory bodies should strengthen their enforcement and compliance mechanisms, demonstrate that the code are truly effective and not mere appendages grafted on the administrative system so as to give effect to investor protection and confidence.
- iii. Good corporate governance is critical to the global market place. Indeed audit committee of Deposit Money Banks in Nigeria must demonstrate, transparency in processes and trustworthiness in order to fully share in the benefit of globalization, development, investor's confidence and good governance.
- iv. Companies should align their philosophies in such a way that investor and market operators' education be entrenched to improve the quality of compliance decisions.
- v. The independence of audit committee must be deepened, with a true essence of regulation and the right assurance of protection of investors. The entrenchment of effective audit committee would help build and retain investors' confidence and reduce systemic risk and improve corporate governance.

5.4 Limitations of Study

Like any other research, the result of this study is subject to some limitations due to some factors. Firstly, all the publicly quoted companies in Nigeria have audit committees, but this study is restricted to deposit money banks. Therefore, the generalization of the findings to non-financial firms is limited. Secondly, there are many measures of bank performance, but the study covers the return on assets, net interest margin and the Tobin's Q ratio, increasing the number of performance variables could have given a broader picture of the situation. Lastly, corporate governance has many variables and mechanisms but this study is limited to only four attributes of the audit committee.

5.5 Suggestions for Further Research

The following areas are recommended for further research:

- i. Future researchers in this direction should concentrate on the non-financial sectors of the economy, especially manufacturing companies.
- ii. Future researches should replicate the same research by bringing in other performance variables like risk assets quality, earnings per share, return on capital employed and liquidity.
- iii. Future studies should also use other attributes of the audit committee such as industry knowledge, age and connections.

5.6 Contributions to Knowledge

This study contributes to knowledge in many ways; for instance, the study provides evidence on the effect of audit committees on the performance of deposit money banks in Nigeria using multivariate analysis (three models), which to the best of the researcher's knowledge, no such study in Nigeria has done that. Specifically, this study is unique in that it used quantitative and qualitative research methods in the analysis of the effectiveness of audit committees of the Nigerian banks, which is also very rare in the literature. Furthermore, most of the studies on audit committees concentrate only on the audit committees and financial reporting quality or earnings management while there are other dimensions with regards to audit committees' duties and responsibilities. This study contributes by relating audit committees with the performance of the Deposit Money Banks in Nigeria. Specifically the study shows there is positive relationship between the components of audit committee (size, independence, meetings and financial expertise) on return on assets, net Interest Margin ,Tobin's Q ,financial standard compliance and investors' confidence of Deposit Money Banks in Nigeria.

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APPENDIX A

```
. xtset id years, yearly
    panel variable:  id (strongly balanced)
    time variable:  years, 2007 to 2013
                   delta: 1 year
```

1. DESCRIPTIVE STATISTICS

. su roa nim tobingq acsiz acind acfex acmet bcomp inshl fsize, d

roa				
	Percentiles	Smallest		
1%	-.0128999	-.03069		
5%	-.0015481	-.0128999		
10%	.0010267	-.0098975	Obs	105
25%	.0138707	-.0080803	Sum of Wgt.	105
50%	.0233825		Mean	.0495261
		Largest	Std. Dev.	.0638412
75%	.0393178	.2021323		
90%	.161281	.2219619	Variance	.0040757
95%	.1927179	.2406014	Skewness	1.543714
99%	.2406014	.2406014	Kurtosis	4.127489
nim				
	Percentiles	Smallest		
1%	.0479001	.0349587		
5%	.1211964	.0479001		
10%	.1935914	.0954804	Obs	105
25%	.2508274	.1144506	Sum of wgt.	105
50%	.3084197		Mean	.332043
		Largest	Std. Dev.	.1203233
75%	.4159462	.5251675		
90%	.4970824	.5475172	Variance	.0144777
95%	.5249843	.5871029	Skewness	.0012952
99%	.5871029	.5871029	Kurtosis	2.584788
tobinq				
	Percentiles	Smallest		
1%	.4254	.406		
5%	.4451	.4254		
10%	.4467	.4407	Obs	105
25%	.4471	.4444	Sum of Wgt.	105
50%	.4472		Mean	.4960638
		Largest	Std. Dev.	.0830058
75%	.5311	.7899		
90%	.5565	.8123	Variance	.00689
95%	.6104	.8123	Skewness	2.614107
99%	.8123	.8991	Kurtosis	11.2556
acsiz				
	Percentiles	Smallest		
1%	4	4		
5%	4	4		
10%	5	4	Obs	105
25%	5	4	Sum of wgt.	105
50%	5		Mean	5.361905
		Largest	Std. Dev.	.6522713
75%	6	6		
90%	6	6	Variance	.4254579
95%	6	6	Skewness	-.5228202
99%	6	6	Kurtosis	2.315009

acind

	Percentiles	Smallest		
1%	0	0		
5%	0	0		
10%	0	0	Obs	105
25%	1	0	Sum of Wgt.	105
50%	1		Mean	.8666667
		Largest	Std. Dev.	.341565
75%	1	1		
90%	1	1	Variance	.1166667
95%	1	1	Skewness	-2.157277
99%	1	1	Kurtosis	5.653846

acfex

	Percentiles	Smallest		
1%	0	0		
5%	0	0		
10%	0	0	Obs	105
25%	1	0	Sum of Wgt.	105
50%	1		Mean	.8285714
		Largest	Std. Dev.	.3786906
75%	1	1		
90%	1	1	Variance	.1434066
95%	1	1	Skewness	-1.743626
99%	1	1	Kurtosis	4.04023

acmet

	Percentiles	Smallest		
1%	2	2		
5%	2	2		
10%	2	2	Obs	105
25%	2	2	Sum of Wgt.	105
50%	3		Mean	2.657143
		Largest	Std. Dev.	.7047718
75%	3	4		
90%	4	4	Variance	.4967033
95%	4	4	Skewness	.5896576
99%	4	4	Kurtosis	2.180515

bcomp

	Percentiles	Smallest		
1%	.4285714	.3333336		
5%	.5114286	.4285714		
10%	.5263158	.4666667	Obs	105
25%	.5454546	.5	Sum of Wgt.	105
50%	.5714286		Mean	.5901311
		Largest	Std. Dev.	.0777445
75%	.6666667	.75		
90%	.6875	.75	Variance	.0060442
95%	.7142857	.8333333	Skewness	.6005825
99%	.8333333	.8333333	Kurtosis	4.43592

inshl					
	Percentiles	Smallest			
1%	0	0			
5%	0	0			
10%	0	0	Obs		105
25%	.0811834	0	Sum of Wgt.		105
50%	.2766629		Mean		.2687855
		Largest	Std. Dev.		.2025769
75%	.4015249	.65711			
90%	.5228858	.65711	Variance		.0410374
95%	.6547455	.6804833	Skewness		.1850815
99%	.6804833	.6804833	Kurtosis		1.991149

fsize					
	Percentiles	Smallest			
1%	24	24			
5%	25	24			
10%	26	25	Obs		105
25%	27	25	Sum of Wgt.		105
50%	27		Mean		27.2
		Largest	Std. Dev.		1.003839
75%	28	29			
90%	28	29	Variance		1.007692
95%	28	29	Skewness		-.8664745
99%	29	29	Kurtosis		3.788284

2. DATA NORMALITY TEST RESULTS

. swilk roa nim tobinq acsiz acind acfex acmet bcomp inshl fsize

Shapiro-wilk w test for normal data

Variable	Obs	W	V	z	Prob>z
roa	105	0.73402	22.875	6.962	0.00000
nim	105	0.98685	1.131	0.274	0.39212
tobinq	105	0.68762	26.865	7.320	0.00000
acsiz	105	0.97785	1.905	1.434	0.07580
acind	105	0.90517	8.155	4.668	0.00000
acfex	105	0.93728	5.394	3.749	0.00009
acmet	105	0.97713	1.967	1.505	0.06622
bcomp	105	0.91445	7.357	4.439	0.00000
inshl	105	0.94737	4.526	3.358	0.00039
fsize	105	0.96750	2.795	2.286	0.01112

3. CORRELATION MATRIX

```
. pwcorr roa nim tobinq acsiz acind acfex acmet bcomp inshl fsize, star (0.05) si
> g
```

	roa	nim	tobinq	acsiz	acind	acfex	acmet
roa	1.0000						
nim	0.6033* 0.0000	1.0000					
tobinq	0.6018* 0.0000	0.6379* 0.0000	1.0000				
acsiz	0.3983* 0.0000	0.2312* 0.0176	0.6211* 0.0000	1.0000			
acind	0.0843 0.3923	0.1033 0.2944	0.0995 0.3127	-0.2437* 0.0122	1.0000		
acfex	0.4418* 0.0000	0.4462* 0.0000	0.3589* 0.0002	0.0741 0.4524	-0.0830 0.3999	1.0000	
acmet	0.5009* 0.0000	0.7206* 0.0000	0.6202* 0.0000	0.3441* 0.0003	0.2017* 0.0391	0.4032* 0.0000	1.0000
bcomp	0.0980 0.3201	0.0374 0.7046	-0.0013 0.9891	-0.1989* 0.0419	-0.0383 0.6979	0.0768 0.4363	-0.0306 0.7566
inshl	-0.0085 0.9318	0.1656 0.0913	0.0104 0.9158	-0.1583 0.1069	-0.1074 0.2757	0.0917 0.3522	-0.0732 0.4583
fsize	-0.0241 0.8073	0.0779 0.4295	-0.0222 0.8221	-0.1538 0.1173	-0.0738 0.4542	0.1455 0.1387	0.0667 0.4991
		bcomp	inshl	fsize			
bcomp	1.0000						
inshl	0.1795 0.0670	1.0000					
fsize	0.5718* 0.0000	0.5255* 0.0000	1.0000				

4. POOLED OLS REGRESSION RESULTS: MODEL ONE

```
. reg roa acsiz acind acfex acmet bcomp inshl fsize
```

Source	SS	df	MS	Number of obs = 105		
Model	126.940834	7	18.1344048	F(7, 97) =	11.83	
Residual	148.727557	97	1.53327378	Prob > F =	0.0000	
Total	275.668391	104	2.6506576	R-squared =	0.4605	
				Adj R-squared =	0.4215	
				Root MSE =	1.2383	

roa	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
acsiz	.0667468	.01611	4.14	0.000	.034773	.0987207
acind	.0036925	.0019575	1.89	0.062	-.0001927	.0075776
acfex	.1517038	.03852	3.94	0.000	.0752523	.2281553
acmet	.0547814	.0212766	2.57	0.012	.0125532	.0970096
bcomp	11.66364	3.930132	2.97	0.004	3.863418	19.46387
inshl	1.719629	1.146406	1.50	0.137	-.5556694	3.994927
fsize	-2.812232	1.215193	-2.31	0.023	-5.224054	-.40041
_cons	1.933857	.2981989	6.49	0.000	1.342015	2.5257

8. RANDOM EFFECT REGRESSION RESULTS: MODEL ONE

```
. xtreg roa acsiz acind acfex acmet bcomp inshl fsize, re
```

```
Random-effects GLS regression           Number of obs   =       105
Group variable: id                     Number of groups =        15

R-sq:  within = 0.1911                  Obs per group:  min =        7
        between = 0.4341                  avg =       7.0
        overall = 0.3597                  max =        7

corr(u_i, X) = 0 (assumed)              wald chi2(7)    =       30.15
                                           Prob > chi2     =       0.0001
```

roa	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
acsiz	-.0002218	.0178958	-0.01	0.990	-.035297	.0348534
acind	.0005257	.0020888	0.25	0.801	-.0035682	.0046197
acfex	.1362618	.0362887	3.75	0.000	.0651373	.2073862
acmet	.0685276	.0287683	2.38	0.017	.0121428	.1249124
bcomp	.0913099	.0441273	2.07	0.039	.0048219	.1777978
inshl	-1.686257	1.169763	-1.44	0.149	-3.978949	.606436
fsize	.2105681	.8945106	0.24	0.814	-1.54264	1.963777
_cons	2.383845	.4120038	5.79	0.000	1.576332	3.191358
sigma_u	.98269761					
sigma_e	.88677412					
rho	.55117575	(fraction of variance due to u_i)				

```
. est store random
```

9. HAUSMAN SPECIFICATION TEST: MODEL ONE

```
. hausman fixed random
```

	Coefficients		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) fixed	(B) random		
acsiz	-.0206648	-.0002218	-.020443	.0085262
acind	-.0002604	.0005257	-.0007862	.0008157
acfex	.1231223	.1362618	-.0131394	.014617
acmet	.0731223	.0685276	.0045947	.0249962
bcomp	.0669877	.0913099	-.0243222	.018213
inshl	-2.271787	-1.686257	-.5855305	.4188158
fsize	.5199857	.2105681	.3094176	.2358286

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

```
chi2(7) = (b-B)'[(V_b-V_B)^(-1)](b-B)
          = 9.28
Prob>chi2 = 0.2333
(V_b-V_B is not positive definite)
```

10 RANDOM EFFECT LM TEST: MODEL ONE

. xttest0

Breusch and Pagan Lagrangian multiplier test for random effects

roa[id,t] = xb + u[id] + e[id,t]

Estimated results:

	Var	sd = sqrt(Var)
roa	2.27357	1.507836
e	1.907051	1.38096
u	.327867	.5725967

Test: Var(u) = 0

chibar2(01) = 0.52
 Prob > chibar2 = 0.2348

11 POOLED OLS REGRESSION RESULTS: MODEL TWO

. reg nim acsiz acind acfex acmet bcomp inshl fsize

Source	SS	df	MS			
Model	156.203923	7	22.3148462	Number of obs =	105	
Residual	93.4857064	97	.963770169	F(7, 97) =	23.15	
Total	249.68963	104	2.40086183	Prob > F =	0.0000	
				R-squared =	0.6256	
				Adj R-squared =	0.5986	
				Root MSE =	.98172	

nim	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
acsiz	.0940822	.0126924	7.41	0.000	.0688913	.1192732
acind	.0034948	.0015192	2.30	0.024	.0004795	.0065101
acfex	.0818032	.0339847	2.41	0.018	.0143529	.1492535
acmet	.0673039	.0174323	3.86	0.000	.0327057	.1019021
bcomp	-1.097652	.8509068	-1.29	0.200	-2.786466	.5911628
inshl	.0396692	.03044	1.30	0.196	-.0207459	.1000842
fsize	.1581421	.2219248	0.71	0.478	-.2823172	.5986015
_cons	2.008048	.3688307	5.44	0.000	1.276021	2.740075

12 HETEROSKEDASTICITY TEST RESULTS: MODEL TWO

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of nim

chi2(1) = 1.42
 Prob > chi2 = 0.2332

13 FIXED EFFECT REGRESSION RESULTS: MODEL TWO

. xtreg nim acsiz acind acfex acmet bcomp inshl fsize, fe

```
Fixed-effects (within) regression      Number of obs   =   105
Group variable: id                   Number of groups =    15

R-sq:  within = 0.1791                Obs per group:  min =    7
        between = 0.0227                avg =           7.0
        overall = 0.0689                max =           7

corr(u_i, Xb) = -0.4257                F(7,83)         =    2.59
                                           Prob > F         =    0.0183
```

nim	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
acsiz	.062983	.0254337	2.48	0.015	.0123963	.1135697
acind	.0040105	.0029621	1.35	0.179	-.0018811	.009902
acfex	-.1272908	.0597694	-2.13	0.036	-.2461698	-.0084118
acmet	-.0169537	.0501846	-0.34	0.736	-.1167689	.0828614
bcomp	-.5946566	1.270029	-0.47	0.641	-3.120694	1.93138
inshl	-.0659625	.0979174	-0.67	0.502	-.2607163	.1287912
fsize	-.8619772	.4745191	-1.82	0.073	-1.805777	.0818223
_cons	3.815817	.669728	5.70	0.000	2.483755	5.147879
sigma_u	1.124087					
sigma_e	1.1483474					
rho	.48932528	(fraction of variance due to u_i)				

F test that all u_i=0: F(14, 83) = 2.72 Prob > F = 0.0024

. est store fixed

14 RANDOM EFFECT REGRESSION RESULTS: MODEL TWO

. xtreg nim acsiz acind acfex acmet bcomp inshl fsize, re

```
Random-effects GLS regression      Number of obs   =   105
Group variable: id                 Number of groups =    15

R-sq:  within = 0.1488                Obs per group:  min =    7
        between = 0.4387                avg =           7.0
        overall = 0.2680                max =           7

corr(u_i, X) = 0 (assumed)           wald chi2(7)    =   22.96
                                           Prob > chi2     =    0.0017
```

nim	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
acsiz	.0547511	.0200423	2.73	0.006	.0154689	.0940332
acind	.0025698	.0024095	1.07	0.286	-.0021528	.0072923
acfex	-.078208	.0483025	-1.62	0.105	-.1728793	.0164632
acmet	.0514768	.0293832	1.75	0.080	-.0061132	.1090667
bcomp	-.7322094	1.161289	-0.63	0.528	-3.008294	1.543876
inshl	.0097395	.0566014	0.17	0.863	-.1011972	.1206762
fsize	-.522889	.3679594	-1.42	0.155	-1.244076	.1982982
_cons	3.228922	.5543997	5.82	0.000	2.142318	4.315525
sigma_u	.75851836					
sigma_e	1.1483474					
rho	.30376683	(fraction of variance due to u_i)				

. est store random

15 HAUSMAN SPECIFICATION TEST: MODEL TWO

. hausman fixed random

	Coefficients		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) fixed	(B) random		
acsiz	.062983	.0547511	.0082319	.0156583
acind	.0040105	.0025698	.0014407	.0017229
acfex	-.1272908	-.078208	-.0490828	.035203
acmet	-.0169537	.0514768	-.0684305	.0406832
bcomp	-.5946566	-.7322094	.1375528	.5141806
inshl	-.0659625	.0097395	-.0757021	.0799006
fsize	-.8619772	-.522889	-.3390882	.2996235

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(7) = (b-B)'[(V_b-V_B)^(-1)](b-B)
 = 5.75
 Prob>chi2 = 0.5695

16 RANDOM EFFECT LM TEST: MODEL TWO

. xttest0

Breusch and Pagan Lagrangian multiplier test for random effects

nim[id,t] = xb + u[id] + e[id,t]

Estimated results:

	Var	sd = sqrt(Var)
nim	1.330718	1.153568
e	1.318702	1.148347
u	.5753501	.7585184

Test: Var(u) = 0

chibar2(01) = 0.59
 Prob > chibar2 = 0.2205

17 POOLED OLS REGRESSION RESULTS: MODEL THREE

. reg tobinq acsiz acind acfex acmet bcomp inshl fsize

Source	SS	df	MS	Number of obs = 105		
Model	165.369797	7	23.6242567	F(7, 97) =	27.18	
Residual	84.3198327	97	.869276626	Prob > F =	0.0000	
Total	249.68963	104	2.40086183	R-squared =	0.6623	
				Adj R-squared =	0.6379	
				Root MSE =	.93235	

tobinq	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
acsiz	.1008921	.0121301	8.32	0.000	.0768172	.124967
acind	.0045395	.0014739	3.08	0.003	.0016141	.0074649
acfex	.0837878	.0290038	2.89	0.005	.0262233	.1413524
acmet	.0708178	.0160203	4.42	0.000	.0390218	.1026137
bcomp	7.232858	2.959214	2.44	0.016	1.359638	13.10608
inshl	2.26219	.8631922	2.62	0.010	.5489923	3.975387
fsize	-1.813161	.9149861	-1.98	0.050	-3.629155	.0028329
_cons	1.605171	.2245304	7.15	0.000	1.15954	2.050802

20 RANDOM EFFECT REGRESSION RESULTS: MODEL

THREE

. xtreg tobinq acsiz acind acfex acmet bcomp inshl fsize, re

```

Random-effects GLS regression           Number of obs   =       105
Group variable: id                     Number of groups =        15

R-sq:  within = 0.2414                  Obs per group:  min =         7
        between = 0.9154                  avg =         7.0
        overall = 0.6618                  max =         7

corr(u_i, X) = 0 (assumed)              wald chi2(7)    =      113.41
                                           Prob > chi2     =       0.0000
    
```

tobinq	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
acsiz	.0967203	.01411	6.85	0.000	.0690653	.1243753
acind	.0043175	.0016851	2.56	0.010	.0010147	.0076204
acfex	.083942	.0311402	2.70	0.007	.0229084	.1449756
acmet	.0659465	.019202	3.43	0.001	.0283113	.1035817
bcomp	7.416982	2.933932	2.53	0.011	1.666582	13.16738
inshl	2.040634	.9892102	2.06	0.039	.1018173	3.97945
fsize	-1.607369	.9558437	-1.68	0.093	-3.480788	.2660504
_cons	1.65484	.2635077	6.28	0.000	1.138374	2.171305
sigma_u	.35391173					
sigma_e	.90194647					
rho	.13342429	(fraction of variance due to u_i)				

. est store random

21 HAUSMAN SPECIFICATION TEST: MODEL THREE

. hausman fixed random

	Coefficients		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) fixed	(B) random		
acsiz	.0845993	.0967203	-.012121	.0138809
acind	.0037584	.0043175	-.0005592	.0015295
acfex	.062817	.083942	-.021125	.025065
acmet	.0237843	.0659465	-.0421622	.0311711
bcomp	7.559262	7.416982	.1422799	1.070793
inshl	1.822734	2.040634	-.2179001	.8662456
fsize	-1.338871	-1.607369	.2684982	.588965

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(7) = (b-B)'[(V_b-V_B)^(-1)](b-B)
 = 4.32
 Prob>chi2 = 0.7422

22 RANDOM EFFECT LM TEST: MODEL THREE

. xttest0

Breusch and Pagan Lagrangian multiplier test for random effects

$$\text{tobinq}[\text{id},\text{t}] = \text{xb} + \text{u}[\text{id}] + \text{e}[\text{id},\text{t}]$$

Estimated results:

	Var	sd = sqrt(Var)
tobinq	2.400862	1.549471
e	.8135074	.9019465
u	.1252535	.3539117

Test: $\text{Var}(u) = 0$

chibar2(01) = 0.15
 Prob > chibar2 = 0.3483

23 Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	198	100.0
	Excluded ^a	0	.0
	Total	198	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.771	.775	12

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
29.51	46.079	6.788	12

24 Kendall's Test One Crosstabs

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
what is your highest academic qualification? * audit committee functions have significant impact on the financial standards compliance of DMB in Nigeria.	198	100.0%	0	0.0%	198	100.0%

what is your highest academic qualification? * audit committee functions have significant impact on the financial standards compliance of DMB in Nigeria. Crosstabulation

Count

		audit committee functions have significant impact on the financial standards compliance of DMB in Nigeria.					Total
		strongly agree	agree	neutral	disagree	strongly disagree	
what is your highest academic qualification?	phD	5	0	5	3	0	13
	Msc	7	30	3	4	0	44
	Bsc or HND	15	28	24	11	10	88
	NCE or OND	0	33	7	0	0	40
	others	12	1	0	0	0	13
Total		39	92	39	18	10	198

NPar Tests

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
SA	5	7.8000	5.89067	.00	15.00
AG	5	18.4000	16.44080	.00	33.00
N	5	7.8000	9.41807	.00	24.00
DA	5	3.6000	4.50555	.00	11.00
SD	5	2.0000	4.47214	.00	10.00

Kendall's W Test

Ranks

	Mean Rank
SA	3.70
AG	4.10
N	3.30
DA	2.40
SD	1.50

Test Statistics

N	5
Kendall's W ^a	.489
Chi-Square	9.778
df	4
Asymp. Sig.	.044

a. Kendall's
Coefficient of
Concordance

25 Kendall's Test Two

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
what is your highest academic qualification? * audit committee functions have significant impact on the investors' confidence in the DMB in Nigeria.	198	100.0%	0	0.0%	198	100.0%

what is your highest academic qualification? * audit committee functions have significant impact on the investors' confidence in the DMB in Nigeria. Crosstabulation

Count

		audit committee functions have significant impact on the investors' confidence in the DMB in Nigeria.					Total
		strongly agree	agree	neutral	disagree	strongly disagree	
what is your highest academic qualification?	phD	5	8	0	0	0	13
	Msc	3	21	10	10	0	44
	Bsc or HND	26	26	16	12	8	88
	NCE or OND	7	12	16	0	5	40
	others	0	13	0	0	0	13
Total		41	80	42	22	13	198

NPar Tests

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
SA	5	8.2000	10.28105	.00	26.00
AG	5	17.0000	6.96419	8.00	26.00
N	5	8.4000	8.04984	.00	16.00
DA	5	4.4000	6.06630	.00	12.00
SD	5	2.6000	3.71484	.00	8.00

Kendall's W Test

Ranks

	Mean Rank
SA	3.20
AG	4.90
N	3.00
DA	2.20
SD	1.70

Test Statistics

N	5
Kendall's W ^a	.712
Chi-Square	14.238
df	4
Asymp. Sig.	.007

a. Kendall's
Coefficient of
Concordance

**APPENDIX B
POPULATION OF THE STUDY**

S/N	POPULATION	DATE OF LISTING ON NSE
1	Access Bank Plc	November 1998
2	Diamond Bank Plc	May 2005
3	First Bank of Nigeria Plc	March 1971
4	First City Monument Bank Plc	December 2004
5	Guaranty Trust Bank Plc	September 1996
6	Stanbic IBTC Bank Plc	April 2005
7	Sterling Bank Plc	August 1993
8	Sky Bank Plc	November 2005
9	Unity Bank Plc	December 2005
10	United Bank for Africa Plc	1970
11	Union Bank of Nigeria Plc	1970
12	Ecobank Nigeria Plc	April 2006
13	EcoBank Trans. Incorp	September 2006
14	NPF Micro Finance Bank Plc	December 2010
15	Fidelity Bank Plc	May 2005
16	Wema Bank Nigeria Plc	February 1991
17	Zenith Nigeria Plc	October 2004

Source: NSE FactBook 2012/2013

APPENDIX C

**Department of Business Administration
Faculty of Administration
Ahmadu Bello University, Zaria**

Dear Sir/Madam,

SURVEY QUESTIONNAIRE

This questionnaire is aimed at collecting information for a study of “Corporate Governance: Impact of Audit Committee on Performance of Selected Banks in Nigeria”. The study is part of the requirements for the award of Doctor of Philosophy (PhD) Degree in Business Administration of Ahmadu Bello University, Zaria.

Kindly responde to the questions as honestly as possible, all the information collected from you will be used for the purpose of the research and confidential. Your response will make the study a success and will be very useful in helping regulators and management of deposit money banks in Nigeria to improve safeguard of the banks’ resources, and enhance their performance.

Your anticipated cooperation is highly appreciated.

Thank You

Abdul-KemiIdrisZubair

Section A: Personal Data

Please tick (✓) the appropriate option

1. Your age group

18-24 25-34 35-44 45-54 Over 55

2. Your highest academic qualification

1	Doctorate Degree	
2	Master Degree	
3	HND/Bachelor's Degree	
4	NCE/OND	
5	Others	

3. Identify your status

A shareholder/Investor A bank Staff

4. Identify the industry in which you invest (where you have shares)

Banking Non-Banking

5. Select the range of your shareholding

Below 10,000 shares 10,000-50,000 shares Above 50,000 shares

6. Do you attend annual general Meeting of your company?

Yes No

Section B: Audit Committee Functions and Investors' Confidence

1. Are you aware of the audit committee functions?

Yes No

2. Are you a member of audit committee of your company?

Yes No

3. If your response in Q2 is yes, are you satisfied that audit committee members, both individually and collectively, understand what is expected of them and the committee (e.g. how the committee supports the board in discharging its responsibilities with regard to financial reporting, risk management and control)?

Yes No

Please indicate the extent of your agreement with the following statements on the effectiveness of audit committee functions in relation to investors' confidence based on your opinion, using the scale; Strongly Agree (1), Agree (2), Neutral (3), Disagree (4), Strongly Disagree (5).

S/N	Issues associated with effective audit committee	1	2	3	4	5
4	Audit committee members are independent of the organization's management and exercise their own judgments; voice their own opinions; and act freely from any conflicts of interest.					
5	Audit committee members, as a whole, have sufficient skills, experience, time and resources to undertake their duties.					
6	Audit committees' discussions enhance the quality of managements' decision making, by engaging those reporting to the committee in dialogue that stimulates and enhances their thinking and performance.					
7	Audit committee's meeting arrangements (e.g. frequency, timing, duration, venue and format) enhance its effectiveness.					
8	Outstanding actions arising from audit committee meetings are properly followed up.					
9	Audit committee has taken appropriate steps to ensure internal and external audit cooperate appropriately to ensure the completeness of assurance coverage and compliance with laws.					
10	Audit committee understands and approves of the degree of management bias inherent within the financial statements and other documents within its remit.					
11	Audit committee is providing oversight over internal financial controls; the wider aspects of internal control; and risk management systems.					
12	Audit committee has taken the appropriate steps to ensure the independence and objectivity of the external auditor is not compromised in any way.					
13	Audit committee has an appropriate dialogue with the external auditor regarding the key accounting and audit judgments, and the levels of errors identified during the audit.					
14	Audit committee takes appropriate steps to ensure management respond to the external auditor's enquiries and recommendations in a timely and fitting manner.					
15	Audit committees' functions have significant impact on the financial standards compliance of listed deposit money banks in Nigeria.					
16	Audit committees' functions have significant impact on the investors' confidence of listed deposit money banks in Nigeria.					

INTERVIEW QUESTIONS

1. Do audit committee members of your bank have sufficient skills, experience, time and resources to undertake their duties?
2. How frequent does the committee hold meeting during a year?
3. Does the committee usually engage in open, substantive, active, and direct interaction with the independent registered public accountants?
4. Does the committee discuss with the independent registered public accountants their observations related to the effectiveness of the audit committee in terms of legal and regulatory function of the bank?
5. Does the committee meet privately on a periodic basis to ask challenging questions and to obtain open, honest feedback with management, internal auditors and Independent registered public accountants?
6. Does the committee assess whether there is adequate oversight, including management controls over the approval, monitoring, and accounting for transactions, of areas of historical complexity with respect to the financial statements, disclosures and other reported information?
7. Does audit committee take appropriate steps to ensure internal and external audit cooperate appropriately to ensure the completeness of assurance coverage and compliance with laws?
8. Does the committee discuss with the internal auditors whether management has adequately addressed their recommendations for improvements in internal control over financial reporting, if any?
9. Are you satisfied with the effectiveness of the audit committee functions of your bank in compliance with relevance rules, regulations and financial standards?
10. Suggest anyway or measures that the committee can adopt in order to be effective.

APPENDIX D

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	198	100.0
	a	0	.0
	Total	198	100.0

Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.771	.775	12

Item Statistics

	Mean	Std. Deviation	N
audit committee members are independent of managements.	2.52	1.031	198
audit committee members have sufficient skills and experiences to undertake their duties.	2.57	1.043	198
audit committee discussions enhance the quality of management decision making.	2.46	1.160	198
audit committee meetings enhance its effectiveness.	2.27	1.165	198
outstanding actions arising from audit committee meetings are properly followed up.	2.79	1.055	198
audit committee ensures internal and external audit cooperate to ensure compliances with laws.	2.03	.992	198
audit committee understands and approves the degree of management bias with the financial statements and other documents.	2.62	1.110	198
audit committee ensures the independence and objectivity of the external auditors are not compromised in any way.	2.67	.987	198
audit committee dialogue with the external auditor regarding the key accounting and audit judgements and the levels of errors.	2.33	.977	198
audit committee ensures management respond to external auditors enquiries and recommendations.	2.49	1.011	198
audit committee functions have significant impact on the financial standards compliance of DMB in Nigeria.	2.33	1.052	198
audit committee functions have significant impact on the investors' confidence in the DMB in Nigeria.	2.42	1.132	198

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
audit committee members are independent of managements.	26.99	46.000	-.070	.615	.802
audit committee members have sufficient skills and experiences to undertake their duties.	26.94	42.047	.217	.713	.775
audit committee discussions enhance the quality of management decision making.	27.05	33.266	.857	.923	.697
audit committee meetings enhance its effectiveness.	27.24	33.816	.805	.938	.704
outstanding actions arising from audit committee meetings are properly followed up.	26.72	39.400	.420	.655	.754
audit committee ensures internal and external audit cooperate to ensure compliances with laws.	27.48	36.129	.752	.915	.718
audit committee understands and approves the degree of management bias with the financial statements and other documents.	26.89	49.409	-.292	.595	.826
audit committee ensures the independence and objectivity of the external auditors are not compromised in any way.	26.84	36.894	.685	.617	.726
audit committee dialogue with the external auditor regarding the key accounting and audit judgements and the levels of errors.	27.18	34.603	.915	.945	.701
audit committee ensures management respond to external auditors enquiries and recommendations.	27.02	34.375	.901	.916	.700
audit committee functions have significant impact on the financial standards compliance of DMB in Nigeria.	27.18	48.512	-.242	.348	.818
audit committee functions have significant impact on the investors' confidence in the DMB in Nigeria.	27.09	39.856	.346	.720	.762

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
29.51	46.079	6.788	12

Section A

Frequencies

Question 1

Statistics

what is your age group?

N	Valid	198
	Missing	0

what is your age group?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-24	33	16.7	16.7	16.7
	25-34	97	49.0	49.0	65.7
	35-44	44	22.2	22.2	87.9
	45-54	16	8.1	8.1	96.0
	over 55	8	4.0	4.0	100.0
	Total	198	100.0	100.0	

Question 2

Statistics

what is your highest
academic qualification?

N	Valid	198
	Missing	0

what is your highest academic qualification?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid PhD	13	6.6	6.6	6.6
Msc	44	22.2	22.2	28.8
Bsc or HND	88	44.4	44.4	73.2
NCE or OND	40	20.2	20.2	93.4
others	13	6.6	6.6	100.0
Total	198	100.0	100.0	

Question 3

Statistics

what is your status?

N	Valid	198
	Missing	0

what is your status?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid shareholder or investor	116	58.6	58.6	58.6
bank staff	82	41.4	41.4	100.0
Total	198	100.0	100.0	

Question 4

Statistics

where do you have shares?

N	Valid	198
	Missing	0

where do you have shares?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid banking	104	52.5	52.5	52.5
nonbanking	94	47.5	47.5	100.0
Total	198	100.0	100.0	

Question 5

Statistics

what is your range of shareholding?

N	Valid	198
	Missing	0

what is your range of shareholding?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid >10000	72	36.4	36.4	36.4
10000-50000	81	40.9	40.9	77.3
<50000	45	22.7	22.7	100.0
Total	198	100.0	100.0	

Question 6

Statistics

do you attend AGM?

N	Valid	198
	Missing	0

do you attend AGM?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	112	56.6	56.6	56.6
no	86	43.4	43.4	100.0
Total	198	100.0	100.0	

Section B

Frequencies

Question 1

Statistics

are you aware of the audit committee functions?

N	Valid	198
	Missing	0

are you aware of the audit committee functions?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	141	71.2	71.2	71.2
no	57	28.8	28.8	100.0
Total	198	100.0	100.0	

Question 2

Statistics

are you a member of audit committee?

N	Valid	198
	Missing	0

are you a member of audit committee?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	25	12.6	12.6	12.6
	no	173	87.4	87.4	100.0
Total		198	100.0	100.0	

Question 3

Statistics

are you satisfied with the members of audit committee?

N	Valid	25
	Missing	173

are you satisfied with the members of audit committee?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	23	11.6	92.0	92.0
	no	2	1.0	8.0	100.0
	Total	25	12.6	100.0	
Missing	System	173	87.4		
Total		198	100.0		

Question 4

Statistics

audit committee members are independent of managements.

N	Valid	198
	Missing	0

audit committee members are independent of managements.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	30	15.2	15.2	15.2
agree	75	37.9	37.9	53.0
neutral	63	31.8	31.8	84.8
disagree	20	10.1	10.1	94.9
strongly disagree	10	5.1	5.1	100.0
Total	198	100.0	100.0	

Question 5

Statistics

audit committee members have sufficient skills and experiences to undertake their duties.

N	Valid	198
	Missing	0

audit committee members have sufficient skills and experiences to undertake their duties.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	25	12.6	12.6	12.6
agree	77	38.9	38.9	51.5
neutral	70	35.4	35.4	86.9
disagree	10	5.1	5.1	91.9
strongly disagree	16	8.1	8.1	100.0
Total	198	100.0	100.0	

Question 6

Statistics

audit committee discussions enhance the quality of management decision making.

N	Valid	198
	Missing	0

audit committee discussions enhance the quality of management decision making.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	40	20.2	20.2	20.2
	agree	85	42.9	42.9	63.1
	neutral	25	12.6	12.6	75.8
	disagree	38	19.2	19.2	94.9
	strongly disagree	10	5.1	5.1	100.0
	Total	198	100.0	100.0	

Question 7

Statistics

audit committee meetings enhance its effectiveness.

N	Valid	198
	Missing	0

audit committee meetings enhance its effectiveness.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	50	25.3	25.3	25.3
	agree	90	45.5	45.5	70.7
	neutral	30	15.2	15.2	85.9
	disagree	10	5.1	5.1	90.9
	strongly disagree	18	9.1	9.1	100.0
	Total	198	100.0	100.0	

Question 8

Statistics

outstanding actions arising
from audit committee
meetings are properly
followed up.

N	Valid	198
	Missing	0

outstanding actions arising from audit committee meetings are properly followed up.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	10	5.1	5.1	5.1
agree	95	48.0	48.0	53.0
neutral	30	15.2	15.2	68.2
disagree	53	26.8	26.8	94.9
strongly disagree	10	5.1	5.1	100.0
Total	198	100.0	100.0	

Question 9

Statistics

audit committee ensures
internal and external audit
cooperate to ensure
compliances with laws.

N	Valid	198
	Missing	0

audit committee ensures internal and external audit cooperate to ensure compliances with laws.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	60	30.3	30.3	30.3
	agree	98	49.5	49.5	79.8
	neutral	22	11.1	11.1	90.9
	disagree	10	5.1	5.1	96.0
	strongly disagree	8	4.0	4.0	100.0
	Total	198	100.0	100.0	

Question 10

Statistics

audit committee understands and approves the degree of management bias with the financial statements and other documents.

N	Valid	198
	Missing	0

audit committee understands and approves the degree of management bias with the financial statements and other documents.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	18	9.1	9.1	9.1
	agree	94	47.5	47.5	56.6
	neutral	56	28.3	28.3	84.8
	disagree	5	2.5	2.5	87.4
	strongly disagree	25	12.6	12.6	100.0
	Total	198	100.0	100.0	

Question 11

Statistics

audit committee is providing oversight over internal financial controls and wider internal control.

N	Valid	198
	Missing	0

audit committee is providing oversight over internal financial controls and wider internal control.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	63	31.8	31.8	31.8
agree	99	50.0	50.0	81.8
neutral	10	5.1	5.1	86.9
disagree	16	8.1	8.1	94.9
strongly disagree	10	5.1	5.1	100.0
Total	198	100.0	100.0	

Question 12

Statistics

audit committee ensures the independence and objectivity of the external auditors are not compromised in any way.

N	Valid	198
	Missing	0

**audit committee ensures the independence and objectivity of the external auditors
are not compromised in any way.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	15	7.6	7.6	7.6
	agree	87	43.9	43.9	51.5
	neutral	53	26.8	26.8	78.3
	disagree	35	17.7	17.7	96.0
	strongly disagree	8	4.0	4.0	100.0
	Total	198	100.0	100.0	

Question 13

Statistics

audit committee dialogue
with the external auditor
regarding the key accounting
and audit judgements and
the levels of errors.

N	Valid	198
	Missing	0

**audit committee dialogue with the external auditor regarding the key accounting
and audit judgements and the levels of errors.**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	33	16.7	16.7	16.7
	agree	97	49.0	49.0	65.7
	neutral	45	22.7	22.7	88.4
	disagree	15	7.6	7.6	96.0
	strongly disagree	8	4.0	4.0	100.0
	Total	198	100.0	100.0	

Question 14

Statistics

audit committee ensures management respond to external auditors enquiries and recommendations.

N	Valid	198
	Missing	0

audit committee ensures management respond to external auditors enquiries and recommendations.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	27	13.6	13.6	13.6
agree	83	41.9	41.9	55.6
neutral	65	32.8	32.8	88.4
disagree	10	5.1	5.1	93.4
strongly disagree	13	6.6	6.6	100.0
Total	198	100.0	100.0	

Question 15

Statistics

audit committee functions have significant impact on the financial standards compliance of DMB in Nigeria.

N	Valid	198
	Missing	0

audit committee functions have significant impact on the financial standards compliance of DMB in Nigeria.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	39	19.7	19.7	19.7
	agree	92	46.5	46.5	66.2
	neutral	39	19.7	19.7	85.9
	disagree	18	9.1	9.1	94.9
	strongly disagree	10	5.1	5.1	100.0
	Total	198	100.0	100.0	

Question 16

Statistics

audit committee functions have significant impact on the investors' confidence in the DMB in Nigeria.

N	Valid	198
	Missing	0

audit committee functions have significant impact on the investors' confidence in the DMB in Nigeria.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	41	20.7	20.7	20.7
	agree	80	40.4	40.4	61.1
	neutral	42	21.2	21.2	82.3
	disagree	22	11.1	11.1	93.4
	strongly disagree	13	6.6	6.6	100.0
	Total	198	100.0	100.0	

DATA

Years	Id	nim	Roa	tobinq	Audit Committeesiz	acind	acfex
2007	1	0.221861	0.074944	0.4471	4	0	0
2008	1	0.281178	0.042231	0.7899	4	1	0
2009	1	0.30781	0.018512	0.8123	5	1	1
2010	1	0.227175	0.015388	0.5565	5	1	1
2011	1	0.523542	-0.00136	0.5546	5	1	1
2012	1	0.518551	0.017788	0.4896	5	1	1
2013	1	0.475363	0.014441	0.4471	4	1	1
2007	2	0.37588	0.020846	0.4467	4	0	0
2008	2	0.263887	0.03175	0.4471	6	1	0
2009	2	0.232518	0.028443	0.406	6	1	1
2010	2	0.330993	0.027203	0.5276	6	1	1
2011	2	0.497082	0.02993	0.5282	6	1	1
2012	2	0.496817	0.023383	0.4471	6	1	1
2013	2	0.432982	0.034227	0.4582	5	1	1
2007	3	0.37588	0.031463	0.4471	5	0	0
2008	3	0.263887	0.053291	0.8991	5	0	0
2009	3	0.232518	0.032276	0.8123	5	1	0
2010	3	0.330993	0.029721	0.5769	6	1	1
2011	3	0.497082	0.240601	0.5184	6	1	1
2012	3	0.496817	0.021035	0.4471	6	1	1
2013	3	0.432982	0.000719	0.4839	6	1	0
2007	4	0.216784	0.016369	0.4471	6	1	1
2008	4	0.305757	0.019266	0.5565	6	1	1
2009	4	0.203551	0.03015	0.5546	6	1	1
2010	4	0.3994	0.154019	0.4471	6	1	1
2011	4	0.547517	0.141621	0.5447	6	1	1
2012	4	0.493085	0.123668	0.4471	6	1	1
2013	4	0.447523	0.192718	0.4471	6	1	0
2007	5	0.257732	0.181624	0.5465	6	1	1
2008	5	0.29232	0.138088	0.5546	6	1	1
2009	5	0.415946	0.007437	0.5252	6	1	1
2010	5	0.36819	0.011305	0.5148	6	1	1
2011	5	0.279026	0.020213	0.6104	6	1	1
2012	5	0.335161	0.017259	0.5311	6	1	1
2013	5	0.279026	0.022196	0.4451	6	1	1
2007	6	0.121196	0.010649	0.4451	6	1	1
2008	6	0.30842	-0.00808	0.4471	6	1	1
2009	6	0.483129	0.011894	0.4471	6	1	1
2010	6	0.480385	0.03069	0.5107	6	1	1
2011	6	0.587103	0.020945	0.5718	6	1	1
2012	6	0.51279	0.018692	0.5497	6	1	1
2013	6	0.587103	0.013472	0.5041	6	1	1

2007	7	0.342149	0.01799	0.4471	6	1	1
2008	7	0.229381	0.026316	0.4467	5	1	1
2009	7	0.300328	0.009201	0.4471	5	1	1
2010	7	0.451381	0.001513	0.4477	5	1	1
2011	7	0.524984	-0.0099	0.4471	5	1	1
2012	7	0.525168	0.016044	0.4471	6	1	1
2013	7	0.525168	0.021703	0.4475	6	1	1
2007	8	0.290427	0.01881	0.4471	6	0	0
2008	8	0.261713	0.019808	0.4474	5	0	1
2009	8	0.250815	0.027692	0.4444	5	1	1
2010	8	0.293451	0.011674	0.4907	5	1	1
2011	8	0.354385	0.01796	0.5378	5	1	1
2012	8	0.304529	0.019041	0.4471	5	1	1
2013	8	0.304529	0.039318	0.4967	6	1	1
2007	9	0.338497	0.024658	0.4471	6	0	0
2008	9	0.297014	0.02694	0.4467	6	1	0
2009	9	0.409871	0.023924	0.4471	6	1	1
2010	9	0.440535	-1.2E-05	0.5565	6	1	1
2011	9	0.50177	-0.0129	0.5446	5	1	1
2012	9	0.393901	0.001027	0.4473	5	1	1
2013	9	0.440535	-0.00155	0.4471	5	1	1
2007	10	0.187911	0.013871	0.4467	5	0	0
2008	10	0.21125	0.028443	0.4471	5	0	1
2009	10	0.250827	0.027203	0.5565	5	1	1
2010	10	0.297993	0.02993	0.5546	5	1	1
2011	10	0.144827	0.023383	0.4477	5	1	1
2012	10	0.153508	0.034227	0.4471	5	1	1
2013	10	0.297993	0.031463	0.4777	5	1	1
2007	11	0.11738	0.053291	0.4471	5	1	1
2008	11	0.0479	0.032276	0.4471	5	1	1
2009	11	0.034959	0.029721	0.4467	5	1	1
2010	11	0.193591	0.240601	0.4471	5	1	1
2011	11	0.344828	0.021035	0.4471	6	1	1
2012	11	0.300515	0.000719	0.4471	6	1	1
2013	11	0.344828	0.016369	0.4471	6	1	1
2007	12	0.114451	0.019266	0.4471	4	1	1
2008	12	0.277171	0.03015	0.4467	4	1	1
2009	12	0.260636	0.154019	0.4477	5	1	1
2010	12	0.366904	0.141621	0.4471	5	1	1
2011	12	0.382688	0.123668	0.4471	5	1	1
2012	12	0.35434	0.192718	0.4471	5	1	1
2013	12	0.48739	0.001816	0.4471	4	1	1
2007	13	0.314007	0.013809	0.4471	5	0	0
2008	13	0.289453	0.007437	0.5565	5	1	1
2009	13	0.299238	0.011305	0.5346	5	1	1
2010	13	0.165382	0.202132	0.4471	5	1	1

2011	13	0.09548	0.172588	0.4471	6	1	1
2012	13	0.235834	0.221962	0.4472	6	1	1
2013	13	0.235834	0.106487	0.4471	6	1	1
2007	14	0.319857	-0.00808	0.4519	5	0	0
2008	14	0.240134	0.011894	0.4471	5	0	0
2009	14	0.24369	-0.03069	0.5565	5	0	1
2010	14	0.395559	0.020945	0.5546	5	1	1
2011	14	0.379623	0.018692	0.4407	6	1	1
2012	14	0.370275	0.134721	0.4254	6	1	1
2013	14	0.370275	0.179898	0.4471	6	1	1
2007	15	0.212214	0.026316	0.5252	4	0	0
2008	15	0.396419	0.009201	0.5148	4	1	0
2009	15	0.223534	0.001513	0.6104	5	1	1
2010	15	0.256325	0.181624	0.5252	5	1	1
2011	15	0.300281	0.138088	0.5148	5	1	1
2012	15	0.421031	0.161281	0.6104	5	1	1
2013	15	0.410711	0.113048	0.5311	4	1	1

Years	Id	acmet	Bcomp	inshl	fsize	_est_fixed	_est_random
2007	1	4	0.583333	0.458478	25	1	1
2008	1	4	0.583333	0.276663	26	1	1
2009	1	2	0.583333	0.654746	27	1	1
2010	1	2	0.571429	0.34628	28	1	1
2011	1	3	0.571429	0.370142	27	1	1
2012	1	3	0.571429	0.33098	27	1	1
2013	1	2	0.571429	0.340256	28	1	1
2007	2	2	0.533333	0.41252	28	1	1
2008	2	2	0.545455	0.48	26	1	1
2009	2	4	0.545455	0.33989	26	1	1
2010	2	4	0.545455	0.401525	27	1	1
2011	2	2	0.571429	0.519545	27	1	1
2012	2	2	0.571429	0.485954	28	1	1
2013	2	2	0.571429	0.379696	28	1	1
2007	3	3	0.571429	0.359903	28	1	1
2008	3	3	0.571429	0.14482	28	1	1
2009	3	3	0.571429	0.381253	27	1	1
2010	3	3	0.571429	0.680483	27	1	1
2011	3	2	0.571429	0.226233	25	1	1
2012	3	2	0.6	0.219166	28	1	1
2013	3	2	0.583333	0.216024	28	1	1
2007	4	2	0.6875	0.201383	28	1	1
2008	4	2	0.6875	0.65711	29	1	1
2009	4	3	0.833333	0	29	1	1

2010	4	3	0.75	0	24	1	1
2011	4	4	0.75	0.247343	26	1	1
2012	4	2	0.75	0.400884	27	1	1
2013	4	2	0.588235	0.097859	27	1	1
2007	5	2	0.555556	0	27	1	1
2008	5	3	0.6	0.095388	27	1	1
2009	5	3	0.6	0.003491	28	1	1
2010	5	3	0.6	0.111107	28	1	1
2011	5	2	0.571429	0.547454	26	1	1
2012	5	2	0.571429	0	26	1	1
2013	5	2	0.571429	0.03075	26	1	1
2007	6	2	0.6	0.347385	27	1	1
2008	6	2	0.583333	0.111107	27	1	1
2009	6	4	0.625	0.49231	27	1	1
2010	6	4	0.6875	0	27	1	1
2011	6	4	0.533333	0	28	1	1
2012	6	3	0.529412	0.400884	26	1	1
2013	6	4	0.529412	0.522886	27	1	1
2007	7	4	0.529412	0.228888	28	1	1
2008	7	3	0.55	0.081183	28	1	1
2009	7	3	0.55	0.04456	28	1	1
2010	7	2	0.55	0.458478	28	1	1
2011	7	4	0.526316	0.276663	28	1	1
2012	7	4	0.526316	0.654746	28	1	1
2013	7	3	0.538462	0.34628	27	1	1
2007	8	3	0.538462	0.370142	27	1	1
2008	8	3	0.538462	0.33098	28	1	1
2009	8	2	0.5	0.340256	28	1	1
2010	8	2	0.466667	0.41252	28	1	1
2011	8	2	0.538462	0.48	28	1	1
2012	8	2	0.5	0.33989	28	1	1
2013	8	2	0.428571	0.401525	25	1	1
2007	9	3	0.714286	0.519545	26	1	1
2008	9	3	0.666667	0.485954	27	1	1
2009	9	3	0.666667	0.379696	28	1	1
2010	9	2	0.666667	0.359903	27	1	1
2011	9	2	0.666667	0.14482	27	1	1
2012	9	2	0.6	0.381253	28	1	1
2013	9	2	0.6	0.680483	28	1	1
2007	10	4	0.6	0.226233	26	1	1
2008	10	4	0.571429	0.219166	26	1	1
2009	10	3	0.333334	0.216024	27	1	1
2010	10	3	0.545455	0.201383	27	1	1
2011	10	3	0.545455	0.65711	28	1	1
2012	10	2	0.545455	0	28	1	1
2013	10	2	0.571429	0	28	1	1

2007	11	2	0.571429	0.247343	28	1	1
2008	11	3	0.571429	0.400884	27	1	1
2009	11	3	0.533333	0.097859	27	1	1
2010	11	3	0.545455	0	25	1	1
2011	11	3	0.534546	0.095388	28	1	1
2012	11	3	0.545455	0.003491	28	1	1
2013	11	2	0.511429	0.111107	28	1	1
2007	12	2	0.571429	0.547454	29	1	1
2008	12	2	0.534546	0	29	1	1
2009	12	2	0.6875	0.03075	24	1	1
2010	12	3	0.6875	0.347385	26	1	1
2011	12	3	0.522886	0.111107	27	1	1
2012	12	3	0.6875	0.49231	27	1	1
2013	12	3	0.6875	0	27	1	1
2007	13	2	0.833333	0	27	1	1
2008	13	2	0.522886	0.400884	28	1	1
2009	13	2	0.714286	0.522886	28	1	1
2010	13	2	0.666667	0.228888	26	1	1
2011	13	2	0.666667	0.081183	26	1	1
2012	13	3	0.666667	0.04456	26	1	1
2013	13	3	0.666667	0.504547	27	1	1
2007	14	3	0.714286	0.43062	27	1	1
2008	14	2	0.714286	0.646159	27	1	1
2009	14	2	0.666667	0.311337	27	1	1
2010	14	2	0.666667	0.306129	28	1	1
2011	14	2	0.666667	0.210379	26	1	1
2012	14	3	0.545455	0	27	1	1
2013	14	3	0.511429	0	28	1	1
2007	15	3	0.571429	0.22584	28	1	1
2008	15	2	0.534546	0.235548	28	1	1
2009	15	2	0.545455	0.040466	28	1	1
2010	15	2	0.511429	0	28	1	1
2011	15	3	0.567143	0	28	1	1
2012	15	3	0.534546	0.001705	27	1	1
2013	15	3	0.545455	0.016702	27	1	1